RANBAXY

Trusted medicines. Healthier lives

Annual Report 2012

Building for the Future

Building for the Future

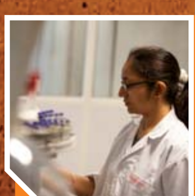
A promising future is emerging for Ranbaxy, as new pathways are being opened up. The philosophy of ‘Quality and Patients First’ is our guiding inspiration.

Several new initiatives have been put on track. These are designed to further strengthen systems, improve capacity utilisation as well as streamline HR practices. All these would contribute to simplify structures and work processes.

We have broadened the scope of our research and development efforts to cover not just generics research, but also the space between generics and pure innovation. This is a niche area where we have the opportunity to deliver greater value to patients and customers.

The synergies under the hybrid business model will enable us to make available both generic and innovative products in markets around the world.

There is renewed vigour, enthusiasm and passion to emerge as a best-in-class global organisation, nurturing best practices, high quality and good governance.



Contents

Mission

Enriching lives globally, with quality and affordable pharmaceuticals

Values

- Achieving customer satisfaction is fundamental to our business.
- Provide products and services of the highest quality.
- Practice dignity and equity in relationships and provide opportunities for our people to realise their full potential.
- Ensure profitable growth and enhance wealth of the shareholders.
- Foster mutually beneficial relations with all our business partners.
- Manage our operations with high concern for safety and environment.
- Be a responsible corporate citizen.

Quick Facts

Established:	1961
Headquarter:	Gurgaon, Haryana, India
Global Presence:	Ground operations in 43 countries, products sold in over 150 countries, manufacturing facilities in 8 countries
Employees:	Over 14,600 people represented by more than 50 nationalities

Key Performance Highlights

$2.3 Bn
Highest ever global consolidated sales

28%
Growth in sales in North America

40
Inspections across 19 manufacturing facilities worldwide by 21 Regulatory Agencies

197
Filings made across various global markets

1st
India's first New Chemical Entity (NCE), Synriam™, a synthetic anti-malarial drug launched in India

14
Brands of Ranbaxy featured in the "Top 300" list in India

Global Accolades

Synriam™
Golden Peacock Award, India

Revital
Reader's Digest Trusted Brand, India

Faringosept
National Brand of People's Choice, Russia

Frost & Sullivan
Pharmaceutical Company of the Year, Malaysia

Board of Directors

Dr. Tsutomu Une
Chairman

Mr. Akihiro Watanabe

Dr. Anthony H. Wild

Dr. Kazunori Hirokawa

Mr. Percy K. Shroff

Mr. Rajesh V. Shah

Mr. Takashi Shoda

Mr. Arun Sawhney
CEO & Managing Director

COMPANY SECRETARY
Mr. Sushil K. Patawari

REGIONAL HEADQUARTERS

Mumbai [India], Princeton [USA], London [UK]
Johannesburg [South Africa], Bucharest [Romania], Kuala Lumpur [Malaysia]

MARKETING OFFICES

Cameroon, Ukraine, Russia, Vietnam, Lithuania,
Kenya, Lusaka, Cote de Ivoire, Dakar, Myanmar, China,
Kazakhstan, UAE, Bulgaria

STATUTORY AUDITORS

BSR & Co., Chartered Accountants
Building No. 10, 8th Floor, Tower-B, DLF Cyber City, Phase-II, Gurgaon - 122002, Haryana [India]

BANKERS

Credit Agricole CIB, Royal Bank of Scotland NV, Citibank NA, Deutsche Bank AG
Hong Kong & Shanghai Banking Corporation, Punjab National Bank, Standard Chartered Bank

REGISTERED OFFICE

A-41, Industrial Area Phase- VIII-A, Sahibzada Ajit Singh Nagar [Mohali] -160071, Punjab [India]
Ph : [91-172] 6678666

CORPORATE OFFICE

Plot No.90, Sector 32, Gurgaon-122001, Haryana [India]
Ph: [91-124] 4135000. Fax: [91-124] 4135001

HEAD OFFICE

12th Floor, Devika Tower, 6, Nehru Place, New Delhi-110019 [India]
Ph: [91-11] 26237508. Fax : [91-11] 26225987

Chairman's Message

Widening the spectrum.

Dr. Tsutomu Une
Chairman

> "In order to adapt to the rapidly changing business dynamics and meet the growing needs of humanity, we are taking several steps to build a splendid future for Ranbaxy - a future that will be single mindedly driven by one philosophy - 'Quality and Patients First'."

Dear Valued Shareholders,

I am happy to communicate with you the progress made by your company during the year 2012. We had our share of achievements, opportunities and challenges. Overall, it was a satisfying year and we achieved consolidated global sales of US$ 2.3 billion, surpassing our guidance. Ranbaxy will continue with its best efforts to further strengthen the quality assurance and control processes, with the ultimate purpose of delivering quality medicines worldwide. I firmly believe that this must be the bedrock of the pharmaceutical business.

Our performance was good in both, the developed and emerging markets. We believe the emerging markets will continue to offer opportunities in the coming years. With a strong presence in these markets, your company is well poised to capitalise on this trend.

In my last year's message, I had stated that your company will be embarking on a new journey, laying the foundation for a new Ranbaxy. To emerge as a leading global enterprise, we have to be alive to the realities around us and remain relevant and contemporary. In order to adapt to the rapidly changing business dynamics and meet the growing needs of humanity, we are taking several steps to build a splendid future for Ranbaxy - a future that will be single mindedly driven by one philosophy - 'Quality and Patients First'.

It is our global commitment to develop and offer high quality medicines and make them available, accessible and affordable to people around

Packaging operation at Ohm Laboratories, New Jersey, USA

Scientists at a Quality Control Lab, Ranbaxy Plant, Mohali, India

the world. We are encouraging a culture that will foster world class business practices to ensure that our products are safe, effective and compliant with internationally accepted good practices.

I believe that a pharmaceutical company should always explore innovative models to serve the entire spectrum of customers. At Ranbaxy, we relentlessly think about how we can provide both generic and innovative medicines to serve the needs of patients. Our hybrid business model with Daiichi Sankyo is unique as it embraces the strengths of Ranbaxy, a global generic company and Daiichi Sankyo, a leading global innovator. Today, Ranbaxy is among the very few global generic companies that offers a basket of both, generic and innovator medicines. This collaboration is maturing and will emerge even stronger.

One of the defining moments for Ranbaxy in 2012 was the launch of Synriam™, India's first new drug for the treatment of malaria. The drug, currently available in India, has established itself as the preferred option in the hands of doctors to fight malaria, which claims more than half a million lives worldwide each year. Science and innovation is the elixir of our growth and we will continue to develop more such new and novel medicines for the benefit of patients.

After a gap of four years, we resumed supply of drugs from India to the US, from our manufacturing plant at Mohali, Punjab, India. The product exported was Atorvastatin tablets. The resumption of supplies from India to the US market was an important milestone in rebuilding the business in the US.

Ranbaxy's generic Atorvastatin, launched in November 2011 has helped millions of Americans manage healthy cholesterol levels. Unfortunately, in November 2012, we had to recall the product from the US market due to some quality issues in select batches. Because of our uncompromising commitment to quality and patients, we proactively took the decision to inform the US Food & Drug Administration (FDA) and initiated a voluntary recall of the product. We have since conducted our investigations and shared the findings with the US FDA. Multiple Corrective and Preventive Actions (CAPA) have been implemented to avoid recurrence of such problems in the future. We have now resumed the supply of Atorvastatin to the US market.

Serving the disadvantaged sections of the community has been an important motto of your company. As a responsible corporate citizen, we have been working for over three decades to make a meaningful and lasting positive social impact. *'Maatra Shishu Swasthya Seva'* (Mother & Child Health Service), a joint social initiative of Daiichi Sankyo and Ranbaxy, to reduce child mortality, improve maternal health and combat HIV/AIDS, malaria and other diseases in the rural areas of District Dewas, Madhya Pradesh, India, is progressing in the right direction. This initiative is aligned with the United Nations Millennium Development Goals.

Board of Directors (standing L to R): Percy K. Shroff, Dr. Anthony H. Wild, Akihiro Watanabe, Dr. Kazunori Hirokawa, Rajesh V. Shah
(sitting L to R): Arun Sawhney, Dr. Tsutomu Une, Takashi Shoda

Two well-equipped mobile healthcare vans cover several villages in District Dewas. These vans provide clinical and diagnostic services including free dispensing of medicines.

Additionally, your company, under the aegis of Ranbaxy Community Healthcare Society, operates 16 well-equipped mobile healthcare vans. We are also working closely with the Government and reputed Non-Government Organisations in India to extend our reach and service. Today in our own humble way, we are touching the lives of around 6,50,000 people spread across 345 villages and urban slum areas in the Indian states of Punjab, Haryana, Himachal Pradesh, Madhya Pradesh and Delhi.

The year 2012 marked the 60th anniversary of the establishment of diplomatic relations between India and Japan, the two great nations, that have a rich heritage and culture. To commemorate this historic occasion, Ranbaxy hosted a unique exhibition of Nihonga style paintings by Prof. Kokyo Hatanaka, an eminent Japanese artist whose paintings have a profound Indian influence.

Your company has always believed in a sound Code of Corporate Governance as a tool for establishing the highest standards of management and business integrity. This Code guides us to make informed decisions and policies in the best interests of the company as well as shareholders and all other stakeholders. As a measure of good corporate governance, Ranbaxy has constituted a Nomination Committee of the Board of Directors. The Committee will formulate, inter-alia, the criteria for determining qualifications, positive attributes and independence of a Director and evaluate the performance of Directors. This will further ensure transparency and uniformity of decision making in all processes and actions.

Employees are one of our critical assets and the cornerstone of our future growth. I deeply appreciate the consistent and sincere hard work of all my fellow Ranbaxians, who have once again risen to the occasion and demonstrated tremendous grit and determination in overcoming the challenges faced by the company and turning the tide in our favour. Going forward, there will be even greater focus on building a high-performance culture that nurtures excellence, collaboration and greater team spirit with a view to shaping an organisation that is more nimble and responsive.

Ranbaxy Plant, Mohali, India

In the coming years, you will see a good measure of strategic changes in Ranbaxy aimed at transforming the company into a more profitable and sustainable global enterprise. We will deploy our resources in building intellectual capital, improving processes and systems, capacities, infrastructure and in exploring markets that will further build and strengthen our future.

I, on behalf of the Board of Directors, would like to take this opportunity to thank all our shareholders for the trust and cooperation extended in making Ranbaxy a leading generic pharmaceutical company. The Board values the interest of all its shareholders and is especially cognizant of the interest of the minority shareholders. I would like to reassure you that the Board remains committed in building a stronger Ranbaxy that will create value for you and all the other stakeholders.

On behalf of the Board, I would like to thank the Ranbaxy leadership team led by Mr. Arun Sawhney for steering the company through these challenging times.

My best wishes to all of you.

Sincerely,

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO & Managing Director

CEO & Managing Director's Message

New frontiers, renewed vision.

"Our focus on key markets, improvement in manufacturing and R&D productivity helped the company post it's highest ever sales while we had our share of challenges. We firmly believe that these measures will help us shape a sound future for the organisation."

"By 2017, we aspire to be among the leading global generic pharmaceutical companies and become a best-in-class organisation. There is a clear strategy to secure leadership in select therapeutic areas and emerge as a leading player in certain identified geographies."

Dear Shareholders,

During the year, Ranbaxy took conscious steps to strengthen the company's business fundamentals and improve its financial health. 2012 was a mixed year for us. Our focus on key markets, improvement in manufacturing and R&D productivity helped the company post it's highest ever sales while we had our share of challenges. We firmly believe that these measures will help us shape a sound future for the organisation.

We posted global consolidated sales of US$ 2.3 billion (Rs. 122,529 million) in the year. North America underpinned the company's growth, crossing the US$ 1 billion mark for the first time. Emerging markets recorded sales of US$ 955 million (Rs. 51,037 million), developed markets contributed US$ 1,218 million (Rs. 64,187 million) for the year and Active Pharmaceutical Ingredients (API), etc. registered sales of US$ 137 million (Rs. 7,305 million).

Our cash and bank balances and net debt position improved substantially during the year due to revenues from exclusivity and post-exclusivity of products. The derivatives outstanding as on December 31, 2012 were at US$ 1.1 billion @2/2.5x, down from peak exposure of US$ 4.2 billion and from previous year levels of US$ 1.6 billion. We are taking measures to further prune down our outstanding derivatives position, given the volatility in the Rupee/Dollar movement and based upon the prevailing liquidity situation.

Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) were at 15% of sales at US$ 353 million (Rs.18,227 million).

While our financial performance continued to improve in 2012, we had largely non-recurring exceptional expenses below the EBITDA line that impacted our overall profitability. These were primarily relating to remedial measures under Consent Decree and Atorvastatin recall.

GLOBAL OPERATIONS

Our team in the USA deserves credit for recording its best ever performance, despite severe challenges. With growth of 31%, the US clocked sales of US$ 946 million, led primarily by exclusivities. An important development was the resumption of exports to the US from our Indian facility after a gap of four years.

In an agreement with Takeda Pharmaceuticals USA, Inc., we launched an Authorised Generic of Pioglitazone hydrochloride tablets (Actos®). This was a significant addition to our existing portfolio of anti-diabetic products in the US market.

Our generic Atorvastatin, the world's leading molecule, contributed substantially to the US revenues. We achieved a market share of over 50% during the exclusivity period and continued to lead, post exclusivity. However, in the latter part of the year, we made a voluntary recall of select batches of Atorvastatin from the US market. Ranbaxy took this voluntary action as we firmly believe that safety of patients is of prime importance. To avoid recurrence of such errors, we have employed several Corrective and Preventive Actions (CAPA). The production of Atorvastatin drug substance resumed in February 2013 and the product has now been reinstated in the US market.

In the branded segment, that is expected to be one of our propellers in the US pharmaceuticals market, we launched Absorica™ under a licensing agreement with Cipher Pharmaceuticals Inc.

We are honouring our commitments under the Consent Decree that was signed with the US FDA in January 2012.

Our domestic market, India, continued to record healthy growth in line with the market trend. A number of strategic initiatives were taken focussing on select products, key customers, critical processes and talent development. These initiatives delivered positive results and should lend sustainable long term benefits.

The Eastern Europe and CIS region recorded decent growth amidst uncertainties triggered by the external environment.

Production operators at Ohm Laboratories, New Jersey, USA

Romania posted robust sales growth, maintaining its leadership in the generic and Over-the-Counter (OTC) segment. Countries in South Central Europe, such as Hungary, Slovakia and the Czech Republic, were impacted due to huge price cuts and stock devaluations with distributors. We continued to consolidate our performance in Russia and retained the No. 1 rank in the represented market. In the Ukraine belt, most of our brands featured in the top 3 in their respective segments.

Growth in Western Europe was aided by the launch of Atorvastatin drug product in the region. We have secured a significant market share of Atorvastatin in Germany, Italy, Sweden, the Netherlands and France.

Africa remains a key market for us. We have a large footprint in this continent with products being sold in 47 countries.
To cater to the growing demand, we have upgraded our facility in South Africa and are augmenting our manufacturing capabilities in this region. Our greenfield manufacturing project in Nigeria, initiated last year, will be a productive asset in the future.
We are also in the process of setting up an oral solid dosage forms facility in Egypt. The opening of a new manufacturing facility in Morocco has paved the way for having a direct business presence in North Africa. These investments are a statement of our intent in this potential region.

The Asia Pacific region offers good prospect. With established presence in key markets, such as Malaysia, Thailand, Australia, China and Myanmar, we are poised to capitalise on the emerging opportunities in these geographies. Last year we completed 30 years of successful operations in Malaysia. We received approval from the Government of Malaysia to set up a greenfield manufacturing facility as an EPP (Entry Point Project). In addition to serving the local market, this facility will also become a hub for us in the ASEAN region.

HYBRID BUSINESS MODEL

Our hybrid business model with Daiichi Sankyo made further progress during the year with collaborations on the front-end in Romania, Germany, Venezuela and Thailand. Under an agreement with Daiichi Sankyo, Inc., we launched an authorised generic of Evoxac® in the US market. This is an excellent demonstration of optimising operational synergies between both companies, while accelerating our global business efforts.

To introduce generic products in Japan, through Daiichi Sankyo Espha Co. Ltd., a joint team has been set up for development, sales and distribution. Certain product candidates have been identified for joint development. The first such product is planned to be filed in early 2013.

We are also working on several innovative ideas on the back-end to optimise cost and leverage synergies in areas such as supply chain, manufacturing, procurement, warehousing and distribution.

RESEARCH & DEVELOPMENT

The launch of Synriam™ (a synthetic anti-malarial), the first new drug from India, was one of the high points for Ranbaxy in 2012. It has placed India in the league of nations that have pioneered new molecules. In 2013, we plan to submit New Drug Applications for market authorisation of Synriam™ in various African countries.

Our R&D team made 197 filings across various global markets in 2012. In the US, we submitted 4 Abbreviated New Drug Applications (ANDAs) of which we believe two are potential First-to-File (FTF) opportunities. Going forward, our endeavour will be to file 3-4 FTFs every year in the US.

In the area of research, there is a perceptive shift globally towards developing differentiated products and super generics. This opportunity, which lies between pure generics and innovation, offers significant prospects. While we will remain focussed on generic research, we will actively participate in this niche area to deliver value through products with superior safety, efficacy, quality and compliance. We will constantly create vital

Blister packing line, Ranbaxy Plant, Paonta Sahib, India

differentiation through R&D to offer significant patient benefits and gain competitive advantage. Absorica™ is a successful example of a differentiated product by Ranbaxy that was approved by the US FDA and launched during 2012.

PEOPLE STRENGTH

Ranbaxy has immense talent, management bandwidth and depth. We are a dynamic team of over 14,600 people globally, represented by more than 50 nationalities which is the quintessence of our strength and success. The foundation of our new culture rests on greater transparency and ethical conduct while being an equal opportunity employer. Today, there is a sharper focus on training, learning and development to build leaders and a skilled workforce that can compete in the competitive global environment. We embrace challenges as opportunities for improving our business performance.
Doing so together makes our goals more achievable and reaching them, far more enjoyable.

RESTRUCTURING

Ranbaxy has been a pioneer in taking Indian pharma to the world. Over the years, we have emerged as a truly global enterprise selling products in over 150 nations. To remain relevant and succeed in today's volatile competitive market, it is imperative to listen to the marketplace, anticipate challenges and prepare

Ranbaxy's Executive Committee


Arun Sawhney
CEO & Managing Director


Rajiv Gulati
President – Global Pharmaceutical Business


Indrajit Banerjee
President & Chief Financial Officer


Dr. Sudershan K. Arora
President – Research & Development


Dale Adkisson
Executive Vice President & Head – Global Quality


Ashwani Kumar Malhotra
Executive Vice President – Global Pharma Manufacturing & Supply Chain


Sanjeev I. Dani
Executive Vice President & Head - Global Strategy, Corporate & Business Development


Ranjan Chakravarti
Executive Vice President & Head – Transformation & Business Consulting


Sandeep Girotra
Sr. Vice President & Head – Global HR


T. L. Easwar
Sr. Vice President – API Manufacturing and Projects

in advance to mitigate possible risks. In this relentless pursuit of excellence, we have initiated a project aimed at designing a new organisation structure. A strong need was felt to realign the organisation and simplify structures and work processes, increase collaboration, accountability and maximise efficiencies across the company, thereby making Ranbaxy a responsive, nimble-footed and successful organisation. We are making steady progress on this front. The transition which will be visible from the middle of 2013, will prepare us to move into the next orbit of growth.

SOCIAL RESPONSIBILITY

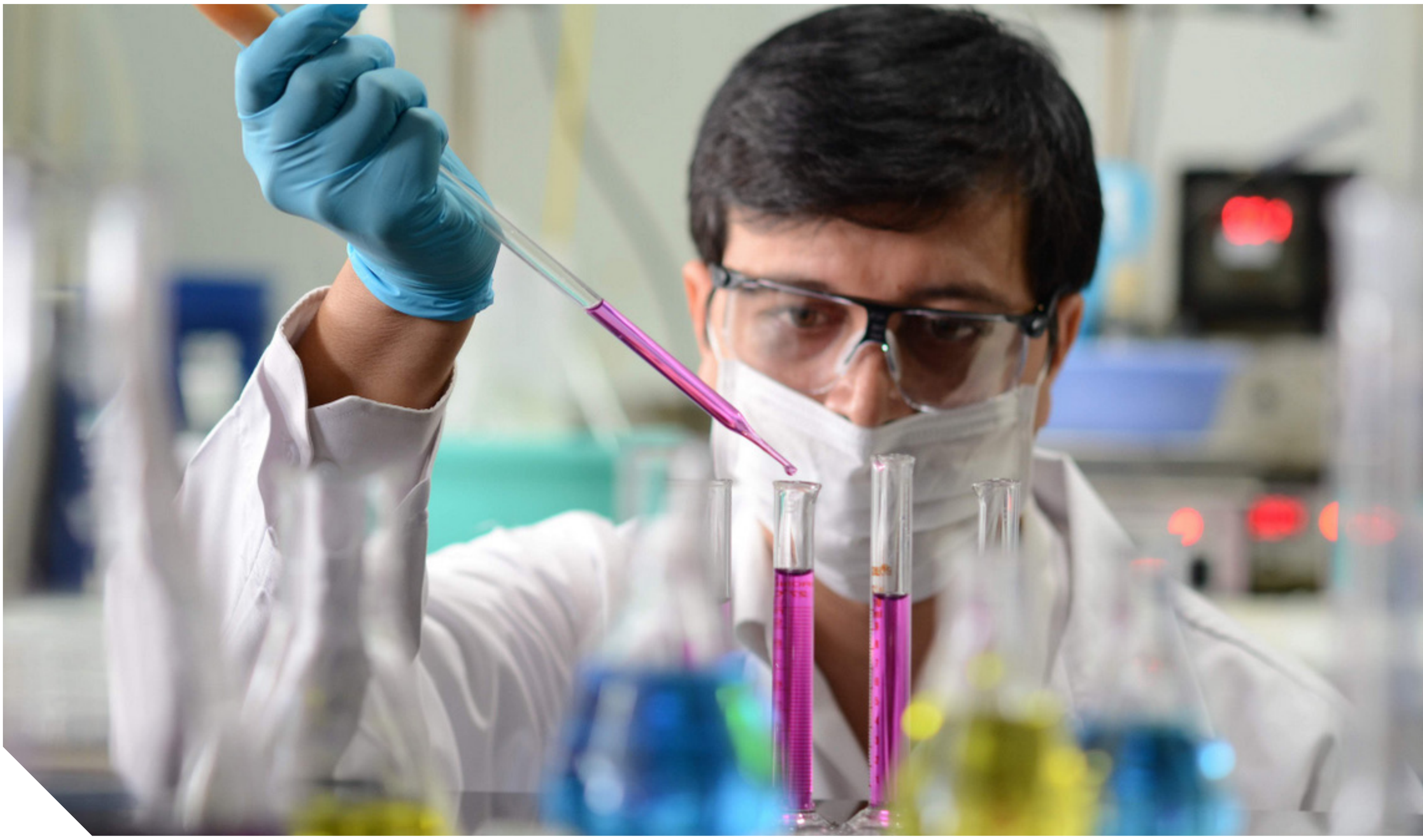
At Ranbaxy, we have a strong focus on social and community welfare programmes. Our philanthropic activities during 2012 focused largely on primary healthcare covering maternal and child health, family planning, adolescent health, reproductive health, prevention and control of HIV/AIDS, malaria, tuberculosis, cancer and other chronic non-communicable diseases.
We provided these services through a fleet of 18 well-equipped mobile healthcare vans in the Indian states of Punjab, Haryana, Himachal Pradesh, Madhya Pradesh and Delhi. These vans operate under different banners including Ranbaxy Community Healthcare Society, *'Ranbaxy Sanjeevan Swasthya Seva'* (a public private partnership between Ranbaxy and the Punjab State Government) and *'Maatra Shishu Swashtya Seva'* (Mother & Child Health Service), a Daiichi Sankyo and Ranbaxy joint initiative. These social out-reach programmes, aligned with the United Nations Millennium Development Goals, are aimed at serving the weaker sections of the society.

ENVIRONMENT, HEALTH & SAFETY (EHS)

We continued with our long standing commitment to environmental protection and workplace safety, including care for the communities around our operating sites, through committed focus on continual improvement in EHS performance. All sites remained compliant with current EHS regulations. There was an increased focus during the year on harmonising EHS practices across operations. The initiative for implementing an EHS Management System through ISO14001 and OHSAS18001 certifications was further extended to the Dosage Form manufacturing sites, which are being progressively covered under the certification umbrella. We have taken significant steps to embark on the journey towards Sustainable Development and Reporting, in line with international best practices.

OUTLOOK

By 2017, we aspire to be among the leading global generic pharmaceutical companies and become a best-in-class organisation. There is a clear strategy to secure leadership in select therapeutic areas and emerge as a leading player in certain identified geographies. We have an enviable presence in the emerging markets that are expected to experience growth



Scientist conducting experiment at a Chemical Research Lab, Ranbaxy R&D Center, Gurgaon, India

in the range of 12% to 15% per annum. These markets are anticipated to nearly double pharmaceutical spending in the next five years, adding US$ 180 billion by 2016. We will continue to make strategic investments in our core business from time to time. Under the hybrid business model, we will shape more synergistic strategies to provide both, generic and innovative medicines to people across the world.

The various measures taken by the company during these challenging situations have enabled us to emerge stronger. The management team is committed to making Ranbaxy realise its potential through monetisation of our large ANDAs, focus on product differentiation, utilisation of our distribution network and superior manufacturing capability. We will continue to monitor our financial health indicators including sales and revenue growth, return on capital, EPS etc., to ensure sustained profitability, growth and stability. These steps should help create a new Ranbaxy in the years ahead and lead to continuous improvement in financial performance.

We remain deeply committed to good governance maintaining the highest standards of ethical and fair business practices. Our conduct will be guided by our paramount philosophy of 'Quality and Patients First'.

In conclusion, I would like to express my sincere gratitude to you, our shareholders, as well as to customers, suppliers, employees, bankers, auditors and other stakeholders for their unwavering support in both good and difficult times. I am grateful to our Board of Directors and Daiichi Sankyo for their firm support and guidance.

As we collectively march ahead, I would like to assure you that we will remain committed to building and increasing the value of our shareholders' wealth in the coming years.

With warm regards,

Arun Sawhney
CEO & Managing Director





>14,600 Employees

>50 Nationalities

1 Team










REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 52nd Annual Report and Audited Accounts for the year ended December 31, 2012.

STANDALONE WORKING RESULTS UNDER INDIAN GAAP

Rs. in Million

	Year ended December 31,2012	Year ended December 31, 2011
Net Sales	**61,124.43**	74,758.96
Expenditure	**63,437.65**	72,980.97
Profit before exceptional items and tax	**2,169.42**	7,236.15
Exceptional Items		
– Settlement provision	**–**	26,480.00
– Provision for other than temporary diminution in the value of non-current investment	**1,030.00**	–
– Product recall	**2,370.20**	–
– Loss on foreign currency option derivative, net (other than on loans)	**412.05**	11,242.85
(Loss)/Profit before Tax	**(1,642.83)**	(30,486.70)
Income tax expenses		
– Current tax	**(19.44)**	(33.07)
– Deferred tax	**–**	66.86
(Loss) After Tax	**(1,623.39)**	(30,520.49)
Balance as per the last Balance Sheet	**(23,689.31)**	6,828.68
(Loss)/Profit available for appropriation	**(25,312.70)**	(23,691.81)

CONSOLIDATED WORKING RESULTS UNDER INDIAN GAAP

Net Sales	**122,528.94**	99,700.02
Expenditure	**112,784.10**	95,369.04
Profit before exceptional items and tax	**14,720.53**	10,480.04
Exceptional Items		
– Settlement provision	**–**	26,480.00
– Profit/(Loss) on disposal/sale of subsidiaries and long term investment, (net)	**–**	(377.99)
– Product recall	**1,859.54**	–
– Loss on foreign currency option derivatives, net (other than on loans)	**412.05**	11,242.85
Profit/(Loss) before tax share in loss of associates (net) and minority interest	**12,448.94**	(26,864.82)
Income tax expenses		
– Current tax	**2,912.58**	1,959.62
– Deferred tax	**26.46**	9.72
Profit/loss after tax and before share in loss of Associates (Net) and Minority Interest	**9,509.90**	(28,834.16)
Share in Loss of Associates (Net)	**185.82**	65.90
Minority Interest in the profit for the year (net)	**96.44**	97.23
Profit/ (Loss) after tax, share of loss of associates(net) and minority interest	**9,227.64**	(28,997.29)
Balance as per last Balance Sheet	**(17,184.87)**	11,809.92
(Loss) available for appropriations	**(7,957.21)**	(17,187.37)
Proposed Dividend	**–**	0.65
Tax on Proposed Dividend	**–**	(3.15)
(Deficit)/ Surplus transferred to Reserves & Surplus	**(7,957.21)**	(17,184.87)

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the year ended December 31, 2012, under Indian GAAP form part of the Annual Report.

OPERATIONS

The Company continued to be the leader amongst the pharmaceutical companies from India with consolidated global sales of Rs. 122,529 million against Rs. 99,700 million in the previous year registering a growth of 23%. Profit before exceptional items and tax stood at Rs. 14,721 million against a loss of Rs. 10,480 million in the previous year. Profit after tax stood at Rs. 9,228 million as against a loss of Rs. 28,997 million in the previous year despite the challenges in some of the major markets and foreign exchange impact due to depreciation of the Rupee against major currencies. However, in the standalone accounts, the Company incurred a loss of Rs. 1,623 million primarily due to foreign exchange impact on account of depreciation of the Rupee against major currencies, impairment of investments in subsidiaries and recall of Atorvastatin in the U.S.A.

In April 2012, the Company launched India's first new drug, Synriam™, a new age anti-malarial for the treatment of uncomplicated Plasmodium falciparum malaria in adults, thereby opening a new chapter in the history of Research & Development in India.

During the second half of the year, the Company made a voluntary recall of Atorvastatin tablets in the U.S.A. due to the potential presence of a very small foreign matter. Due to this, the Company had to write off the inventory which has impacted the profitability of the Company.

In continuation of signing of the Consent Decree with the USFDA, the Company is in the final stage of settlement with the U.S. Department of Justice (DOJ) to resolve civil and criminal liabilities.

The Company continues to maintain strategic focus on the 'branded' markets, improvement in the product mix, capitalizing product level opportunities for which regulatory approvals have been received, product rationalization, greater marketing synergies and cost-efficiency throughout the organization.

DIVIDEND

In view of the loss in the standalone accounts, no dividend has been proposed for the year ended December 31, 2012.

CHANGES IN CAPITAL STRUCTURE

Allotment of shares on exercise of Employees' Stock Options

During the year, the Company allotted Equity Shares (on pari-passu basis) pursuant to exercise of Stock Options by the eligible employees, as summarized below:

Date of Allotment	No. of Shares
January 13, 2012	31,966
April 17, 2012	80,898
July 11, 2012	152,361
October 11, 2012	208,854

The Allotment Committee of Directors on December 21, 2012, also allotted 440,000 Equity Shares of Rs. 5 each for cash at par to Ranbaxy ESOP Trust (Trust), set up to administer Ranbaxy Employee Stock Option Plan-2011 (ESOP-2011). The Trust would allocate the shares to the employees of the Company and of its subsidiaries on exercise of stock options from time to time under ESOP- 2011.

SUBSIDIARIES AND JOINT VENTURES

In continuation of the pursuit of leveraging and maximizing the synergies of the Hybrid Business Model, the Company and Daiichi Sankyo Co., Ltd., have decided to integrate the management and operations of the subsidiaries in Thailand.

With a view to create sustainable business base in CIS countries, the Company incorporated a subsidiary in Ukraine, through Ranbaxy (Netherlands) B.V., a wholly owned subsidiary of the Company. Further, for competing better in German market, another subsidiary in Germany was set up through Basics GmbH, a wholly owned subsidiary of the Company.

The Hon'ble High Courts of Delhi and Punjab & Haryana have approved the scheme of merger of Rexcel Pharmaceuticals Limited, Solus Pharmaceuticals Limited, Ranbaxy Drugs and Chemicals Company, Ranbaxy Life Sciences Research Limited and Ranbaxy SEZ Limited with Ranbaxy Drugs Limited, another wholly owned subsidiary of the Company.

A statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies is attached to the accounts. In terms of the general exemption granted by the Ministry of Corporate Affairs vide its circular no. 02/2011 dated February 8, 2011, the audited accounts and Reports of Board of Directors and Auditors of the Company's subsidiaries have not been annexed to this Annual Report. The Company has complied with the requirements as prescribed under the said circular. The consolidated financial statements prepared in accordance with Accounting Standard – 21 issued by the Institute of Chartered Accountants of India forming part of this Annual Report include the financial information of the subsidiary companies.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report, as required under the Listing Agreements with the Stock Exchanges, is enclosed at Annexure 'A'.

EMPLOYEES' STOCK OPTION SCHEMES

Information regarding the Employees' Stock Option Schemes is enclosed at Annexure 'B'.

LISTING AT STOCK EXCHANGE

The equity shares of the Company continue to be listed on Bombay Stock Exchange Ltd. and The National Stock Exchange of India Ltd. Global Depository Shares are listed on the Stock Exchange at Luxembourg. The annual listing fees for the year 2012–2013 have been paid to these Exchanges.

DISCLOSURE OF PARTICULARS

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information and data is given at Annexure 'C'.

FIXED DEPOSITS

The Company has not invited / received any fixed deposits during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956, ("Act"), your Directors confirm that:

(i) In the preparation of the annual accounts, the applicable accounting standards have been followed, alongwith proper explanation relating to material departures, wherever applicable.

(ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company, as at the end of the accounting year and of the loss of the Company for the year.

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(iv) The Directors have prepared the annual accounts on a going concern basis.

DIRECTORS

The Board of Directors of the Company appointed Dr. Kazunori Hirokawa as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company effective May 9, 2012 and holds office upto the date of this Annual General Meeting. The Company has received Notice along with requisite deposit of Rs. 500 from a member under Section 257 of the Companies Act, 1956 proposing the candidature of Dr. Kazunori Hirokawa as a Director of the Company.

In accordance with the Articles of Association of the Company, Dr. Tsutomu Une and Mr. Rajesh V Shah, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

Report on Corporate Governance alongwith the Certificate of the Auditors, M/s. B S R & Co. confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges forms part of the Annual Report.

COST AUDIT

The Board of Directors of the Company appointed M/s. R.J. Goel & Co., Cost Accountants, as the Cost Auditor of the Company for the year ended December 31, 2012. The Audit report of the cost accounts of the Company for the year ended December 31, 2012, will be submitted to the Central Government in due course.

In terms of the circulars issued by Ministry of Corporate Affairs, the last date for filing the Cost Audit Report for the year ended December 31, 2011, with the Central Government was February 28, 2013. The Report was filed on December 31, 2012.

AUDITORS

M/s. B S R & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if reappointed.

AUDITORS' REPORT

With regard to comments contained in the Auditors' Report, explanations are given below:

i) The accumulated losses of the Company at the end of the year are not less than fifty percent of its net worth.

   The accumulated losses are primarily due to provision of Rs. 26,480 million created by the Company in the year ended December 31, 2011 for settlement with the DOJ for resolution of potential civil and criminal allegations by the DOJ. (Note 8 of the Financial Statements)

ii) Short term funds used for long term purposes.

   The Company had made a provision of Rs. 26,480 million in the previous accounting year for settlement with the DOJ (Note 8 of the Financial Statements). This has resulted into long-term funds being lower by Rs. 5,558.22 million compared to long-term assets as at December 31, 2012. Accordingly, short-term funds of Rs. 5,558.22 million have been used for long-term purposes which is temporary in nature.

STATEMENT OF EMPLOYEES

Statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956 ("Act") and Rules framed thereunder forms part of this Report. However, in terms of the provisions of Section 219(1) (b) (iv) of the Act, this Report and Accounts are being sent to all the shareholders excluding the Statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Corporate Office of the Company.

ACKNOWLEDGEMENTS

The Directors hereby wish to place on record their appreciation of the significant contribution made by each and every employee of the Company. The Directors also thank all other stakeholders for their support and encouragement. Your Directors look forward to your continued support in the years to come.

On behalf of the Board of Directors

Gurgaon
February 26, 2013

Dr. Tsutomu Une
Chairman

ANNEXURE A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Be-Tabs plant, Johannesburg, South Africa

Global Industry Structure & Developments

The global pharmaceutical market is estimated to grow to ~US$ 1 trillion[1] in 2013, up from US$ 956 billion in 2011. The market is forecasted to grow at a CAGR of 3-6% over 2012-16 to US$ 1.1-1.2 trillion in sales by 2016. More than 60% of this increase in the Pharmaceutical market is expected to be contributed by the Pharmerging[2] markets which are anticipated to grow at 12-15%, while the rest of the growth is expected from the Developed[3] markets which are likely to grow at a much lower rate of 1-4%.

Pharmaceutical sales in the United States of America (USA), the largest pharmaceutical market in the world, is expected to be in the range of US$ 350-380 billion by 2016, with growth rate in the range of 1-4%. Sales in Japan, the second largest pharma market, is expected to be in the range of US$ 105-135 billion by 2016 reflecting a CAGR of 1-4% during the period 2012-16. Top 5 European markets are expected to grow at a CAGR of -1% to 2% till 2016 to achieve sales in the range of US$ 135-165 billion. Sales in the pharmerging markets, with their higher rate of growth, are expected to match those in the US pharma market by 2016.

The global pharma industry for patented products continues to remain fragmented and fiercely competitive. It also faces increased genericisation. The generics industry, on the other hand, has the opportunity to capitalise on the products going off-patent in the coming years. In trying to cope with these challenges, the industry has witnessed consolidation; this may be replicated across the global pharma world especially in the generics space.

The mature developed markets have a share of over 65% of the world pharmaceuticals market. This is expected to decline to 57% by 2016. Here too, the pharmerging markets are expected to grow at a significantly higher rate than the rest of the world and would account for 30% of the global spending in 2016.

Generics

The generics segment of the global pharmaceutical market contributed 25% in 2011 and is expected to reach 35% of the total global pharma spending by 2016 growing at a CAGR of 11-12%, compared with a 1-2% CAGR in the patented branded market. Market expansion is led primarily by the increase in genericisation (Patented drugs worth over US$ 100 billion, going off patent in the USA by 2016), healthcare cost containment by governments/ payers and relatively low penetration in some major geographies.

Contribution from the pharmerging markets has gone up with China, India, Brazil and Russia contributing over 40% of the sales in the generics industry. Sales growth in pharmerging markets is expected to increase to US$ 35-45 billion in 2016 from the current US$ 24 billion in 2012 as the healthcare infrastructure develops and people gain better access to medicines.

United States of America: The prescription sales of branded products continued to decline during the year. As with the global pharma market, the USA is the largest constituent of generics, with 30% market share by value in 2011. Over two-thirds of the total volumes in the market comprise generic products. Pharma sales in the country grew by 3% during 2007-11 and is expected to grow at 1-4% CAGR through 2016. Patent expiries through 2016 resulted in brand sales (over US$ 100 billion) to shift towards generics, which could sell at a fraction of innovator product prices. Since 2005, growth in the generics market in the country has been ahead of the pharma market. This trend is expected to continue over the foreseeable future.

Europe: Major EU markets contribute to 25% by value to the worldwide generics industry and have grown at a faster rate when compared to the low single digit growth for the pharma industry as a whole. The generics market growth was expected to slow down to 4% CAGR between 2009-14. The Governments in the region are

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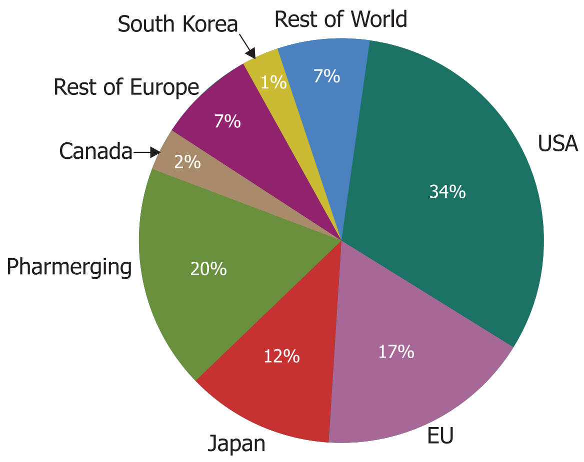
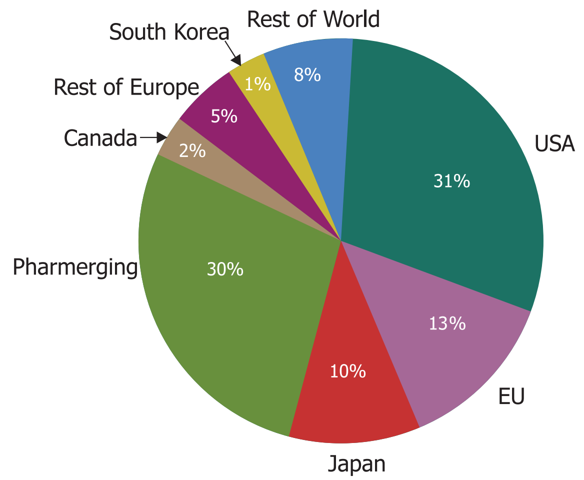
1 *Source: The Global Use of Medicines: Outlook Through 2016: July 2012 (IMS)*
2 *Pharmerging markets: China, Brazil, Russia, India, Mexico, Turkey, Venezuela, Poland, Argentina, Thailand, Romania, Indonesia, South Africa, Egypt, Ukraine, Pakistan, Vietnam etc.*
3 *Developed markets: USA, Japan, UK, Spain, Germany, France, Italy, South Korea, Canada etc.*

Global Pharma Market Break-up



2011



2016

encouraging greater use of generics as they implement austerity programmes in response to the slowdown in the region. Lower reimbursements in countries such as Spain and reduced savings from the patent expiries may further result in a shift towards generic medicines. We view Europe as two different markets: West and East. While the evolution of the West European market is more aligned to that of the developed world, the East European markets allow branded generics nature of business.

India: The Indian Pharmaceutical Market (IPM) is expected to grow at a CAGR of 15% to ~US$ 29 billion in 2016. The key factors driving growth in the IPM are sustained economic growth, increase in healthcare access and increased penetration in smaller towns. During 2012, growth in the IPM was primarily driven by volume of around 60% and new introductions contributing around 40% with minimal price increase. A key structural development was the introduction of the new pricing policy (National Pharma Pricing Policy), which will expand the coverage of medicines under price control to almost three times that of the earlier price control mechanism, DPCO (Drugs Price Control Order).

Outlook on Opportunities

The annual global spend is expected to more than double to US$ 70 billion by 2016 from US$ 30 billion in 2012. About 60% will come from increased usage of existing generics and the rest from newly available generics.

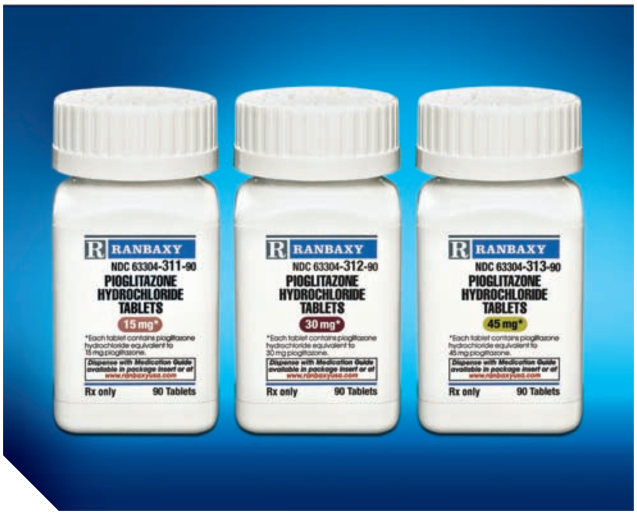
The generics industry is expected to continue on its growth path aided by multiple factors including (a) opportunity of over US$ 100 billion drugs going off patent by 2016; (b) increasing burden of healthcare in developed markets, especially the USA, the UK and Germany, that are most impacted during the current challenging economic times; (c) opportunity for generics penetration in some of the key markets such as Japan and parts of Europe; (d) increasing access to healthcare in developing economies; and (e) increasing competition and consolidation in the industry.

Ranbaxy has ground presence in over 43 countries and sell products in more than 150 countries across the developed, emerging and lesser developed parts of the world. These markets have their unique characteristics and value drivers, such as branded generics and quality connect by end-customer for the emerging markets, and commoditised, genericisation, in the form of First-to-Files (FTFs) or First-to-Launches (FTLs), in the developed parts of the world. With a strong marketing and distribution network, local manufacturing presence and trained, multi-cultural manpower, we are well positioned to grow across these markets. Our worldwide presence allows us to not only adjust and adapt to changes in the macro-environment but also prepare for the evolution of the sector per se. Further, with over 60% of revenues, excluding FTF revenues, from the emerging markets, that are expected to grow at a rate faster than the market as a whole and investments largely in place, our wide geographic presence gives us a unique advantage.

United States of America

During the year, business in the USA expanded significantly with continued success in FTF and Authorised Generics (AGs). The contribution of these products namely Atorvastatin, Pioglitazone, Amlodipine + Atorvastatin and Cevimeline, enabled the company to surpass sales of US$ 1 billion in North America. We introduced an important product in the form of Pioglitazone as an AG, during the year. This is a significant addition to the anti-diabetic portfolio in the country. Pioglitazone peak market share was 30% since its launch in August 2012.

The launch of Absorica™ brings us one step closer to our ambition to become an important player in the Dermatological business in the country. Absorica™ is indicated for the treatment of severe recalcitrant nodular acne in patients of 12 years of age and older. The product is licensed from Cipher Pharmaceuticals Inc. of Canada and due to its non-dependence on dietary conditions, it should



Anti-diabetic product, Pioglitazone hydrochloride launched in USA

Absorica™, a key Dermatological brand launched in USA

result into a better compliance rate thereby providing a better drug offering. The company was expected to launch generic Diovan®/ Valsartan (brand sales ~US$ 2 billion) in late 2012. However since the product approval is yet to be received from the US regulator, the company is yet to launch the product. The company believes it retains the entire exclusivity for the product.

Our Over-the-Counter (OTC) business recorded modest growth. The key product formulations are commercialised under the Ohm label or under a customer's store brand at prices more affordable than the brand equivalents.

We initiated plans to upgrade and enable the Ohm facility at Terminal Road to manufacture and package controlled substances. This process will be completed in two years, allowing the company to enter this challenging, yet important segment of the market.

During the second half of the year, one of the biggest challenges faced by the company was the voluntary nationwide recall of Atorvastatin Calcium tablets in the USA due to the potential presence of very small glass particles resembling a fine grain of sand (less than 1 mm in size). While the probability of an adverse event due to the consumption of this product was unlikely, we took this voluntary action as a precautionary measure out of abundant caution. The issue has been thoroughly investigated and corrective action plans put in place so that such an incident does not recur.

India

Our emphasis on the strategy of "Focus, Run & Win", through selection of products, key customers, critical processes and key talent development yielded positive results with a growth in double digits achieved in 2012, in comparison to single digit growth in the preceding year.

Building brands has traditionally been our strength. A large number of our brands figure in the list of "Top 30" brands in the industry. As many as 14 of our brands feature in the list of "Top 300" brands. The focus brand portfolio grew at a higher rate than the current IPM growth on Moving Annual Total (MAT) basis.

14 Ranbaxy Brands in Top 300 in 2012

Volini (Diclofenac)	Cifran (Ciprofloxacin)	Oframax (Ceftriaxone)
Revital (Ginseng Combination)	Moxclav (Co-amoxiclav)	Revital Woman (Carbonyl Iron & Calcium)
Mox (Amoxicillin)	Zanocin (Ofloxacin)	Histac (Ranitidine)
Storvas (Atorvastatin)	Rosuvas (Rosuvastatin)	Fortwin (Pentazocin)
Sporidex (Cephalexin)	Cepodem (Cefpodoxime)	

During the year, our brand building initiatives yielded positive results with a number of our brands registering healthy double digit growth across therapy areas. Notable growth was witnessed in Cardiovascular, Dermatology, Pain Management and Urology therapies. In 2012, Prasugrel, the research product of Daiichi Sankyo, advanced further with 26.8% market share, consolidating its second rank, up from the 8th rank at entry stage (IMS November 2012 MAT).

In 2012, the Anti-infective segment grew slower than the overall pharma market; growth for our key Anti-infective molecules was also stagnant. Despite these challenges, we recorded a gain in market share for most of our Anti-infective brands.

The company is proud to introduce the first New Chemical Entity (NCE) from India, the Novel Anti-malarial Drug, Synriam™ which is consistently expanding its prescriber and patient base in India. It has emerged as the 6th best launch in the last 12 months in the industry and has already gained 4th rank in IMS, SSA YTD November 2012. We also introduced a number of new products in our key strategic segment. These included Acostin Injection - an ICU specific antibiotic, Emarsa (Daptomycin) - a highly specialised ICU based antibiotic and Nutrikit Respi - a specific nutraceutical preparation targeted at allergy and asthma. Further, there have been a number of brand enhancements which were introduced to cater to the unmet needs of key disease areas. These brand

Esomeprazole, a successful product in UK

enhancements included Teczine 10 (higher dosage of Anti-histamine for Urticarial management), Suncros 50 Aqua Lotion (high SPF Dermatological preparation) and Storvas 10 mg compliance pack (to ensure continuation of therapy and patient compliance) etc.

In addition to customer knowledge enhancement programmes, we also undertook several patient centric market expansion initiatives. These initiatives were aimed at increasing the disease awareness/education, diagnosis and treatment in areas such as of Hypertension, Diabetes, Epilepsy, Osteoporosis, BPH, and Anaemia etc.

West Europe

During the year, the region recorded sales of US$ 178 million, growing at a strong 21% led by the successful launch of Atorvastatin across markets such as Italy, Germany, Sweden and the Netherlands.

Germany registered sales of US$ 30 million growing at 11% on the back of continued success in tenders. The performance was even more commendable considering the fact that the market in Germany was flat year on year. This led the company to improve its ranking from 19 to 16 in the country. In Italy, sales grew in local currency and a number of measures were taken, aimed at increasing margins, and reducing expenses. The UK had a sales turnover of US$ 23 million driven by the successful launch of Esomeprazole. The company has managed to retain a high market share despite significant competition. The performance was further helped by the business opportunity offered by Special Olympics. Strong sales performance in the Nordic and Benelux countries was driven by the launch of Atorvastatin in Sweden, tender wins in the Netherlands and the innovative monetisation of Atorvastatin launch opportunity in Belgium. Pricing pressure on generic products in the region continued.

In Portugal, we changed the model to a leaner cost base and a sharper focus on the business. In France, we worked towards improving our business structure with a view to dealing with the severe margin pressure in that country.

East Europe & Commonwealth of Independent States (CIS)

During the year, the region recorded sales of US$ 250 million growing at 9% in local currency.

Romania, a key growth market for us grew at 12% in local currency terms registering a turnover of US$ 107 million. Our performance was impacted by higher "Clawback" and the strengthening of the US dollar. Along with other companies in the market, we continue to make efforts to soften the impact of "Clawback" on profitability. We maintained leadership in the Generic & OTC market segment with 10.1% market share (MAT November 2012). Several new products launched in the course of the year contributed to the overall sales. These included Clopidogrel, Azithromycin, Bicalutamide, Candesartan and Meropenem. The Romania operations generate significant turnover from the OTC franchise, which is getting further augmented with the introduction of Linea Sante range (Nutritional supplement), Faringo Hot Drink (Cough & Cold preparation), Faringonatur Lozenges (Herbal cough lozenges) and Magnestress B6 (Magnesium + B6).

The other important market in East Europe is Poland. 2012 was a good year for us in the Polish market as we grew by 14% in local currency terms in a market that declined by -4%. Our key brands in Poland are Klabax (Clarithromycin), Storvas (Atorvastatin), and Citabex (Citalopram). Significant products launched during the year were Ranacand (Candesartan), Trozebax (Letrozol) and Valsartan.

Ranbaxy has been a significant player in the CIS, led by Russia. The company grew 13% in local currency terms, registering a turnover of US$ 83 million. We continue to be ranked number one in the represented market with 11.2% market share (MAT November 2012). Some of our leading brands including Cifran (Ciprofloxacin) and Norbactin (Norfloxacin), helped strengthen our market share. We have a strong presence in the OTC business, with products like Coldact and Faringosept. In October 2012, Faringosept was selected as the "National Brand of People Choice 2012" in the category of throat preparations in Russia. With Russia becoming a member of the WTO in July 2012, the coming years may see reduction in customs duties and non-tariff barriers.

The Ukraine belt operations registered sales of US$ 35 million, growing at 6% in local currency terms. During the year, some very important legislative changes took place in the region, including restrictions on advertising (including OTC) and requirements for licence for imports. We have strong brands in the market and most of them rank amongst the Top 3 brands in their respective segments.

Asia Pacific

Overall sales for the region during the year were at US$ 107 million indicating a growth of 10% in local currency terms.

We celebrated 30 years of successful operations in Malaysia and registered a turnover of US$ 29 million. The Government of

Malaysia gave approval to the company in September 2012 for setting up a greenfield manufacturing facility in the country as an Entry Point Project (EPP). This will be our second manufacturing facility in Malaysia. It would manufacture dosage forms including tablets and capsules, primarily in the Cardiovascular, Anti-diabetic, Anti-infective and Gastrointestinal segments. We started to market Cravit® (Levofloxacin) from the Daiichi Sankyo portfolio in Malaysia from January 2012.

During the year, we were awarded the 2012 Frost & Sullivan Malaysia Excellence Award for being adjudged the Malaysian Pharmaceutical company of the Year in the generics drug category. In 2012, we launched Storvas C (Atorvastatin Crystalline), Revitalite (Protein supplement), Airkulast (Montelukast) and Valsartan.

Supplies in Thailand were impacted due to the disruption of manufacturing at our facilities owing to floods. During the year, the FDA announced the scheme of local BE waiver for first generics which would expedite market entry. Under this model, Ranbaxy was awarded BE waiver for four of its products.

In order to leverage and maximise the synergies of the hybrid business model, it was proposed to combine the front-end operations of both Ranbaxy and Daiichi Sankyo in Thailand into one entity. This would help realise potential synergies across innovator and generic businesses which, in turn should help accelerate growth in sales of both innovator and generic products. Through the merged entity, the group could capitalise on complementary therapy and market penetration advantages. A combined entity would be in a better position to optimise the manufacturing capabilities and cost structure of both Ranbaxy and Daiichi Sankyo.

We are a leading generic company in Myanmar with strong equity in both branded and OTC segments. During the year, sales grew by 14% at constant exchange rate. There has been a focus to augment sales and marketing organisation with 6 new product launches.

Japan offers an attractive proposition for the industry as it encourages generics with a view to reducing healthcare costs. We have entered into a development and supply agreement with Daiichi Sankyo Espha (the generic arm of Daiichi Sankyo) in Japan to co-develop and supply potential generic formulations. Plans are afoot to file the first product developed by us on behalf of Daiichi Sankyo Espha.

In Australia, we seek to establish ourselves as one of the major players with the objective of having a broad product range and leveraging Day 1 patent expiry opportunities. In addition to expanding our direct retail presence, we continue to develop a supply agreement business in both Australia and New Zealand.

Against the backdrop of political uncertainties in several countries, we recorded a turnover of US$ 14 million in the Middle East. Our key products in the region include Omeprazole, Ceftriaxone and Ciprofloxacin, Ranitidine and Imipenem + Cilastatin. In order to facilitate local manufacturing, a technology transfer project with NPI, Oman has been initiated.

Africa

Ranbaxy has a large footprint in the African markets, with sales in 47 countries across the continent amounting to US$ 177 million. With an eye on the future, Ranbaxy is augmenting manufacturing capabilities across key markets for better servicing the region.

In South Africa, we recorded sales of US$ 50 million. We are ranked the Number 6 Pharma company in the generics market. Notable launches during the year have been Tavanic® (Levofloxacin), Mercide (Meropenem) and Diaran MR (Gliclazide). While our performance was sub-optimal in 2012, improvement and upgradation of local manufacturing was carried out during the year and a new country leadership team was put in place. Ranbaxy is committed to improve its performance in this key market.

Nigeria registered a growth of 9% in local currency, achieving sales of US$ 28 million. Key launches during the year were Enhancin 457 mg (Amoxy + Clav), Storvas (Atorvastatin), Gestid Plus Ginger (Aluminum hydroxide + Simethicone) and Riconia Forte (Multivitamin Mineral). We are strengthening our manufacturing capacities in Nigeria and have made good progress on the greenfield manufacturing project started last year.

Despite disruptions due to political challenges during the year, we have not only stayed on course in Egypt, but also initiated the setting up of an Oral dosage manufacturing facility. Ranbaxy Morocco has also established a new manufacturing facility at Casablanca, paving the way for a direct business presence in North Africa.

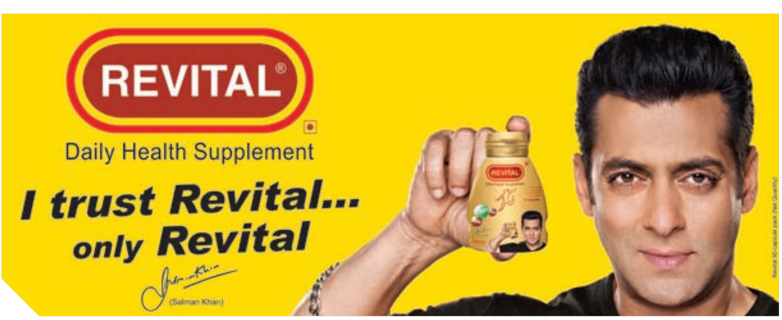
Tavanic®, a Daiichi Sankyo product marketed by Ranbaxy in South Africa

Ranbaxy Global Consumer Healthcare

Our OTC division, Ranbaxy Global Consumer Healthcare (CHC), recorded sales of Rs. 13,057 million (US$ 244 million) in 2012, registering a growth of 23% in rupee terms, contributing ~11% to our global sales. India was the highest contributor, with sales of Rs. 3,733 million (US$ 70 million), marking a growth of 23%. The USA, Romania, Russia and Nigeria were other important markets; the top 5, including India, contributed ~90% of the total CHC sales in 2012. Revital was the biggest contributor, with sales of Rs. 2,183 million, a growth of 21%. Volini was the second largest brand. Faringosept (Russia and Romania), Coldact (Russia) and Aspenter (Romania) were some of the other key OTC brands. Within its participating market, the division currently ranks No.1 in India. CHC was recognised as the OTC company of the year at the 5th Annual Pharmaceutical Summit 2012 in India for the second consecutive year.

Revital, our flagship OTC brand, continues to be the No.1 Vitamin and Mineral Supplement (IMS Health SSA MAT November 2012) and is the 6th largest brand in the Indian Pharmaceutical Market (IPM). Within its category of Ginseng based products, it dominates with a market share of 91% (IMS Health SSA MAT November 2012). Revital offers its consumers a well-balanced combination of Vitamins, Minerals and Ginseng and is a great solution for everyday stress, weakness, fatigue and tiredness. Endorsed by Bollywood superstar Salman Khan, the brand scaled new heights in visibility. Revital Woman also performed exceptionally well with sales doubling to Rs. 280 million over the previous year.

Volini, our pain relief brand, exhibited robust growth of 33%, touching sales of Rs. 1,365 million. In the pain relief category, Volini maintained its No.1 brand status in India at the chemist level (Nielsen RMS 2012 data). Volini has been the No.1 doctor-recommended topical pain reliever for the last 12 years as per Cmarc Rx June 2012 data. It was adjudged the best brand at the Indian Pharma summit consecutively for 3 years. In 2012, we pioneered celebrity endorsement in this category with Indian movie stars Sonali Bendre and Trisha Krishnan as brand ambassadors for Volini.



Other brands such as Revital Senior, Revitalite, Chericof, Pepfiz, Garlic Pearls and Pepflux also continued to do well during the year.

Canada

We were one of the faster growing generic pharmaceutical companies in the Canadian generic market, growing by 8.2% while the market, as a whole, declined by -1.5%. Continued downward pressure on pricing by the provincial governments makes the Canadian pharmaceuticals market difficult for generic companies.

We launched 14 new molecules in 2012, three of which were first wave (exclusive) launches. Reasonable market shares in Rosuvastatin (15%) and Nabilone (26%) and later in the year, in Anastrozole helped us achieve a 7% share of the entire generic market.

Active Pharmaceutical Ingredients (API) Business

We supply APIs and intermediaries to leading innovator and generic pharmaceutical companies in more than 63 countries, covering a wide range of therapeutic segments like Anti-obesity, Cardiovascular, Anti-infective, Central Nervous System (CNS), Anti-virals and Dermatology. We revamped our business model, bringing the focus on profitable molecules, customers and countries. Towards this end, we adopted strategies for long term sustainability with the key objective being improving profitability and customer service. These initiatives, along with restructuring, led to our achieving sales of US$ 137 million in 2012 with a shift in margin profile from 2011 to 2012. As a result, the company has been able to establish a sustainable business and a robust future pipeline of products.

Global Corporate Development

During the year, the Corporate Development team continued to contribute in terms of supporting corporate aspirations to expand the product portfolio, especially in the specialty areas of Biosimilars, Vaccines and Oncology, by initiating focused in-licensing efforts as well as alliances with technology companies. The clinical trials for a Biosimilars monoclonal antibody were completed and submitted to the Indian regulatory agency. We are now awaiting approval.

There was progress on Zenotech, with the team establishing our right of ownership. Supply was resumed to some extent to the India region. In terms of vaccines, the Bangalore vaccines and biologics facility was upgraded to meet the required regulatory standards and the regulatory approval was received from Indian agencies for one of the vaccines. Efforts are now being made to build a vaccine product portfolio.

We are also working on other opportunities in key areas of interest, especially Dermatology in markets such as the USA. The effort is to source opportunities that utilise our infrastructure strength, including sales and marketing.

India's first New Drug, Synriam™, developed and launched by Ranbaxy


Scientist at the Analytical Research Lab, Ranbaxy R&D Centre, Gurgaon, India

Research And Development

Synriam [Arterolane maleate + Piperaquine phosphate] – A New Anti-malarial Combination

During the year, on 25th April, the World Malaria Day, we launched Synriam™ for the treatment of uncomplicated *P.falciparum* malaria in adult patients in India after obtaining requisite statutory approvals from Central Drugs Standard Control Organisation (CDSCO), India. This is the first New Drug developed by a pharmaceutical company from India.

– Synriam™ is a combination of Arterolane maleate and Piperaquine phosphate. Arterolane maleate is the first fully synthetic and a novel, oral Anti-malarial compound developed by us. It is presumed to have a rapid onset of action and rapid elimination, whereas Piperaquine has a slower onset of action and is eliminated slowly. It is expected to provide a long term cure rate after a short treatment course. Hence, the combination, Synriam™, provides rapid clearance of parasitemia and most malaria-related symptoms, coupled with prevention of recrudescence.

During the year, we completed Phase-3 clinical trials with Synriam™ in adult patients with uncomplicated *P. falciparum* malaria in Africa and *P. vivax* malaria in India.

– We plan to submit New Drug Applications for Market Authorisation of Synriam™ for the treatment of uncomplicated *P. falciparum* malaria in adult patients in various African countries in 2013.

– The outcome of the clinical trial of Synriam™ in the *P. Vivax* patients will be utilised for application to CDSCO so as to extend the indication of Synriam™ to the two prevailing forms of malaria in India.

A Phase III comparative clinical trial with the paediatric formulation of Synriam™ is planned in the malaria endemic zones of Asia and Africa, based upon the outcome of the Phase II clinical trial completed in children.

In addition, other clinical trials for the evaluation of Synriam™ will be conducted to help position the drug in the therapy of malaria.

Matrix Metalloproteinase Dual (MMP-9 and MMP-12) Inhibitor for COPD

This molecule is developed under a collaborative research programme with GSK. The company has already completed enrollment for Phase-2A [Proof of Concept] studies in India. Currently, the recruitment of patients for the study is underway in Europe and is targeted to be completed in 2013.

Chemical Research (Active Pharmaceutical Ingredients)

The focus continued to be on developing commercially viable, non-infringing, patentable and novel process know-how for Active Pharmaceutical Ingredients (APIs). There is a continuous and a greater emphasis on the development of difficult-to-make APIs and novel polymorphic forms of certain APIs to create greater value addition. The newer areas of interest are the use of new technologies for efficient manufacturing processes of APIs. During the year, the company filed 76 Drug Master Files comprising 33 APIs across various countries and 40 patents in India.

Pharmaceutical Research (Drug Products)

During the year, we made a total of 197 filings across various markets.

In the USA, the company submitted 4 ANDAs including 1 PEPFAR-ANDA.

In the European Union, the company made 4 National Filings [including 1 In-Licensed product] and also filed 9 products [including 3 In-Licensed products] under De-Centralised Procedure and 1 product under Mutual Recognition Procedure.

The company also made 8 filings in Russia / CIS Countries, 2 in Australia, 8 in Brazil [including 4 Branded / parallel filings], 2 in Canada and 6 in South Africa.

During the year, the team filed 44 patents in India, including 18 patents in Novel Drug Delivery System and 2 in Packaging.

Creating Business Differentiation

During the year, there was in-depth deliberation towards creating business differentiation through R&D. The drying pipeline of NCEs and the high risks involved in their development has prompted pharmaceutical companies to actively look at reformulation and repositioning of drugs. These incrementally modified drugs offer significant patient benefits, have relatively lower development risks and in most cases have been able to derive price premiums. It is with this premise that the Development of Differentiated Product (DP) has been recognised as one of the key initiatives that will propel our future growth.

In the endeavour to create business differentiation and speed to market, we are also actively engaging with external agencies and seeking collaboration with academia in order to gain competitive edge. Also a Centre of Excellence for Platform Technologies is being envisaged to leverage the synergies between Ranbaxy and Daiichi Sankyo.

International Regulatory Filings and Approvals – Dosage Forms (January-December 2012)

Table 1

Markets	Filings	Approvals
USA	4#	3
Europe	14	26
Other Key Markets	179	121
Total	**197**	**150**
International DMF Filings (# of APIs)	76 (33)	

including 1 PEPFAR filing

DMF: Drug Master File

Patent Application Filings and Acceptance/Grant (January-December 2012)

Table 2

Category	Filings*			Accepted / Granted Patents**			
	India	USA	Total	India	USA	EU	Total
APIs	40	-	40	-	4	5	9
Dosage Forms	24	-	24	-	-	-	-
NDDS	18	-	18	-	-	-	-
NCEs	-	-	-	-	-	4	4
Packaging	2	-	2	-	-	-	-
Analytical Development	-	-	-	-	-	-	-
Total	84	-	84	-	4	9	13

* These are 1st time (fresh) filings; not international or national filings of earlier applications filed in India

** These are unique patents - means any equivalent patents granted in other countries or patents published under PCT have not been counted [during 2012, 27 patents were published under PCT]

Hybrid Business Model

Ranbaxy and Daiichi Sankyo progressed on the hybrid business model with collaboration in the front-end in key markets as well as the back-end in R&D, supply chain, IT and social contribution. Irrespective of any other requirement, any synergies that both companies work towards will always be at arm's length and beneficial for both, individually and collectively. These are also separately detailed under the section "related party transactions."

(i) Front-end

With the objective to align front-end that would limit duplication wherever possible, the company continues to explore synergy opportunities in major markets.

a. In markets where we are the stronger player, we would take the lead to promote both our own generic products and Daiichi Sankyo's innovator products, irrespective of the nature of the market.

Malaysia: During the year, we commenced marketing Cravit® (levofloxacin) in this market. This is the second marketing synergy in the ASEAN region, where we will take the lead, after Singapore, although the market is primarily innovator in nature.

Romania: Terapia Ranbaxy launched Sevikar®, a fixed dose combination of Olmesartan medoxomil and Amlodipine besylate tablets. The new product is indicated for the treatment of hypertensive patients inadequately controlled on mono-therapy regime of either product. Sevikar® is the third innovator product to be sold by us in Romania - after Evista® and Tavanic®.

b. In markets where Daiichi Sankyo is stronger, it would take the lead to promote both its own innovator products and our generic products.

Venezuela: Ranbaxy operated in the country through a local distributor. Daiichi Sankyo's subsidiary Daiichi Sankyo Venezuela S.A., has now begun marketing products of Ranbaxy in Venezuela as part of the hybrid business model.

c. In other markets, both companies would continue to operate in their respective areas.

Germany: Basics GmbH, our subsidiary in Germany launched Atorvastatin Basics® in March 2012, along with Daiichi Sankyo's subsidiary, with a view to enlarging reach amongst cardiologists and physicians in the market.

USA: Ranbaxy Pharmaceuticals Inc. (RPI), our subsidiary in the USA, launched the Authorised Generic (AG) Cevimeline hydrochloride 30mg (Evoxac®) capsules under an agreement with Daiichi Sankyo Inc.

Daiichi Sankyo products launched by Ranbaxy in USA (left) and Malaysia (right)

Other markets where we continue to work under the above-mentioned models, although there was no specific movement during the year, include (a) markets where Ranbaxy would lead: India, Africa, Italy and Romania; and (b) where Daiichi Sankyo would lead: Japan and Mexico.

The front-end synergies are not only important to enhance focus, but also to improve profitability. For us, another important business is supply agreement, i.e. the direct supply contracts part of our business. Owing to our strength in supply chain management, such business will continue to be led by us.

Products launched through Daiichi Sankyo-Ranbaxy Hybrid Business Model

Molecule	Region
Cevimeline	USA
Congescor	Italy
Levofloxacin	Romania, Singapore, South Africa
Lopresor	Italy
Ofloxacin	Malaysia
Olmesartan	India
Olmesartan Medoxomil + Amlodipine Besylate	Romania
Prasugrel	India
Raloxifene	Romania

(ii) Back-end

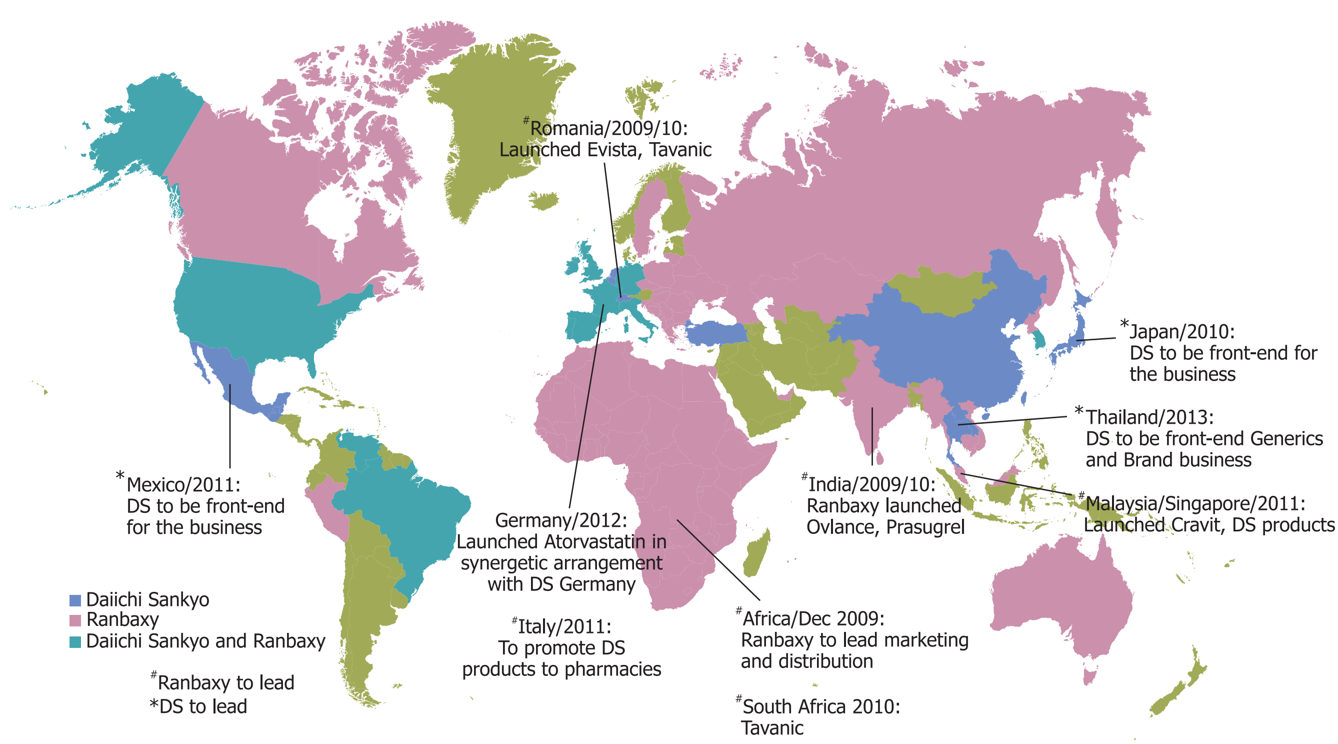
Other than the marketing synergies mentioned earlier, the hybrid business has led to multiple synergies on the back-end, including supply chain, procurement and CMC (Chemistry, Manufacturing and Controls). In order to work closely together, both companies have also worked on a talent exchange programme, whereby employees of one company are seconded to the other. This helps build mutual understanding and promotes an innovative mindset.

With regard to the launch of generic products in the Japan market, both companies worked together to identify products for joint development. Based on such development, after necessary approvals, the first product candidate from the synergy could be launched in Japan in the next two years.

(iii) Social Contribution

With an aim to contribute towards the success of UN Millennium Development Goals (MDGs) about reducing child mortality, improving maternal health, combating malaria, HIV/AIDS and other diseases, the two companies started a joint initiative in District Dewas, Madhya Pradesh through the introduction of 2 well equipped healthcare vans managed by doctors and paramedics. The initiative is being implemented through the Ranbaxy Community Health Care Society. The project has made significant progress, thanks to continued support by the Government. Mobile health services are being initially provided to 20 villages, with a population of ~31,000.

Marketing synergies under the Hybrid Business Model



Outlook on Threats, Risks and Concerns

Other than the risks faced by the pharmaceuticals industry at large, global generic companies face additional risks associated with patent litigations, regulatory challenges and product liability. While the generic companies have an opportunity to genericise patented products in the developed markets, such opportunities reflect the "patent cliff" of products going off-patent and not being replaced by newer patent opportunities. Innovator pharmaceutical companies also continuously work to find ways to "evergreen" their patented drugs to delay the entry of generic versions of innovator medicines. In addition, due to growth opportunities in off-patent products, with a view to retain market share, the innovator companies have also started to participate in this segment, despite the higher competitiveness and price erosion in the generics market. Further, competition in generics is not just in the developed world, but also in the emerging markets, which are projected to grow at a faster growth rate than developed markets. This competition comes not just from generic companies but also from innovator companies that seek to maintain their position post genericisation of patented products.

The manufacture of pharmaceuticals is strictly regulated across the world. Should Ranbaxy, or its suppliers/contractors fail to comply with applicable regulations at any step, there could be regulator-enforced shutdown of the concerned production facilities. Other risks include, delay in approval(s) or revocation of drug approvals previously granted, failure or delay in obtaining approvals for new products, product recalls of existing drugs sold in the market and prohibition on the sale or import of non-complying products.

Regulators worldwide continue to raise the bar for quality expectation and compliance requirements with increasingly more severe consequences for non-compliance.

Consent Decree

In January 2012, the company settled issues with the regulators in the USA by signing a Consent Decree (CD) with the US FDA. We are dedicated to having this legacy issue finalised and having more clarity moving forward, with a renewed focus on ensuring that all our facilities and products meet the high standards that patients, healthcare professionals and the public expect from us all over the world. The company agreed with the US FDA to further strengthen policies and procedures in order to continue to ensure the integrity of our data and compliance with current good manufacturing practices.

We have established a project management office to implement the requirements of the CD and have put in place the organisational structure required to support this. The company has also set up the Office of Data Reliability as per the requirements of the CD. Quintiles and Parexel have been retained as Data Integrity experts and lead cGMP auditor respectively. The plans for achieving the cGMP compliance are in the process of implementation at the covered facilities.

All CD required deadlines/commitments to date have been achieved with no CD penalties incurred post 'Go Live' on January 26, 2012.

Any delay in the CD process may lead to the delay in the approval of Ranbaxy Paonta Sahib and Dewas facilities by the US FDA and may have a negative sentimental impact other than leading to possible delays in the launch of some of our products.

Dissolution testing in Quality Control Lab, Ranbaxy Plant, Mohali, India

Quality

We are committed to driving 'Quality Compliance' and promoting a 'Culture of Excellence' across the company. Our commitment to Quality with respect to various regulatory agencies including the US FDA means further strengthening our procedures and policies to ensure data integrity and to comply with current good manufacturing practices. Work in this area is progressing well. All CD deadlines/commitments to date have been met, with no penalties being levied. The functioning of the Office of Data Reliability and the CD Project Management Office has been stabilised and both are meeting commitments. Baseline consultant GMP Audits have started at Dewas; Paonta Sahib GMP consultant Baseline audits will commence post Dewas completion. Internal review and management have been advancing, per CD schedule, at Paonta Sahib; Data Integrity/Internal Review CD processes have been initiated at Dewas in accordance with CD project planning.

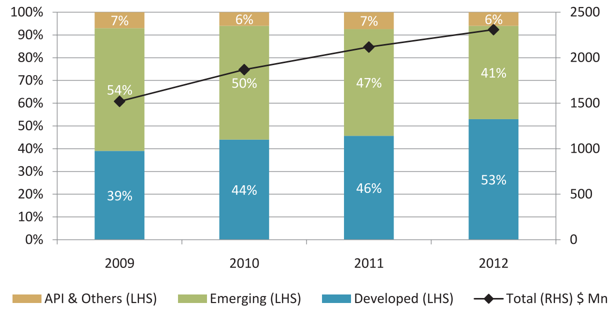
In 2012, 40 regulatory inspections across 19 Ranbaxy sites worldwide were conducted by 21 different regulatory inspection agencies with no critical findings. The company also moved towards harmonisation of quality systems across the organisation globally. Enterprise Wide Quality Management Systems have been expanded, ensuring compliance, transparency and productivity. Stability software management system has been implemented in Ranbaxy A41, Mohali facility. Plans are afoot to implement it in other Ranbaxy India locations and also in USA. Our global quality systems management review programme has been expanded to cover more facilities, including those in Malaysia, South Africa and Morocco.

We have worked with Daiichi Sankyo to harmonise our respective quality systems. Accordingly, there was significant interaction and work done by both the departments towards further improving quality standards.

Sales by Market

The company returned the highest ever sales of Rs. 122,529 million (US$ 2.3 billion) for the year, a 15% growth over the preceding year. Ranbaxy's growth strategy is in line with the growth areas for global generics, with a focused approach on its branded portfolio. Accordingly, on a larger base, emerging markets contributed 41%, and delivered market level growth in India. The East European markets of Romania and Russia returned strong growth. The developed markets, helped by First to File sales (2011-12: Atorvastatin) and AGs (2012: Pioglitazone) contributed 53% of the

Sales by Market



total sales. Dosage form sales accounted for 94% of the total sales. The remaining revenue came from API and others.

Our focus during the year has been on building a sustainable global business by leveraging early opportunities and strengthening our branded business. Our front end focus is on building a strong and capable marketing organisation, creating global brands and launching differentiated products in fast growing markets and therapies, while maximising returns from business segments where the company already has a strong and established presence.

Key Therapy Areas

Cardiovascular: Lasting remedies

Cardiovascular (CVS) is among the leading therapy area in major pharmaceutical markets worldwide. Underlining the importance of this growing chronic segment, CVS remains a focus growth area for Ranbaxy in both generic and branded markets.

Riding on the successful FTF launch of Atorvastatin and the Authorised Generic launch of Amlodipine and Atorvastatin combination in the USA last year, CVS continued as our largest therapeutic segment in 2012. Our global CVS sales grew by more than 50% over the previous year. In addition to our existing leadership in Atorvastatin in India, Malaysia, South Africa and Romania, we became the first company to launch generic Atorvastatin in Germany, Italy, Sweden, the Netherlands and Australia, catapulting it as the global leader (as per volume sales; IMS MAT June 2012) in generic sales of the molecule, worldwide. We further consolidated our statins portfolio by launching generic Rosuvastatin in Canada under an agreement with the originator. Our Rosuvastatin business grew by more than 80% globally during the year, which bears testimony to our growing leadership in the statins segment. Today, we are among the top four leading players in Rosuvastatin formulations worldwide.

In addition to strengthening our statins portfolio in the CVS segment, we expanded our presence in the Anti-diabetic portfolio by launching an Authorized Generic version of Pioglitazone hydrochloride in the USA, under agreement from Takeda Pharmaceuticals. The originator sales of the Pioglitazone molecule were to the tune of US$ 2.7 billion in the USA (IMS- MAT June 2012).

Dermatology: Making a difference with differentiated products

Dermatology is a focus area for us, especially in the branded market segment. We have a strong franchise in the Corticosteroids,

Amlodipine and Atorvastatin combination launched in the USA

Anti-infective and Anti-acne segments of Dermatology. In the USA branded market, we launched a differentiated formulation of Isotretinoin, under the brand name Absorica™, in November 2012. Absorica is indicated for the treatment of severe recalcitrant nodular acne in patients 12 years of age and older. As compared to the generic Isotretinoin, Absorica™, which is formulated using a patented Lidose® technology, can be administered without regard to meals, providing convenience and flexibility to patients.

Our Dermatology portfolio in the USA caters to both prescription and consumer driven OTC markets. In the USA, major brands are Kenalog, Halog and Ultravate. In India, Teczine achieved leadership as the most prescribed Anti-histamine brand. We strengthened our equity in Dermatology in India with the introduction of Moisturex in a new pack using innovative airless pump technology. The Dermatology business received a further boost with the launch of Teczine 10, Suncros Aqua and Lulifin lotions in India and Sotret capsules in Russia.

Anti-infective: Developing drugs for mass ailments

Anti-infective is the second largest therapy segment for us, highlighting our continued focus on acute therapies and drugs for mass ailments. We reinforced our pioneering presence and commitment to this critical segment by launching Synriam™ in India, a new drug developed by us for the treatment of uncomplicated *Plasmodium falciparum* malaria in adults.

The dosage regimen for Synriam™ is convenient and simple as the patient is required to take just one tablet per day, for three days as compared to other medicines where two to four tablets are taken twice a day for three or more days. This should lead to better drug compliance. Synriam™ was launched in India last year on World Malaria Day, 25th April.

In South Africa, we introduced the Tavanic® brand of Levofloxacin, available in both injectable and oral dosage forms, making it the biggest branded product launched globally by us during the year.

We have a widespread global presence, especially in the Penicillins, Cephalosporin, Quinolones and Penems segments. We are amongst the leading global players of key Anti-infective molecules such as Imipenem & Cilastatin, Co-Amoxy Clav, Amoxicillin, Clarithromycin, Ciprofloxacin, Levofloxacin and Cephalexin.

Pain and Musculoskeletal: Growing stronger

Musculoskeletal is the third largest therapeutic segment for us, led by Ketorolac Tromethamine. The USA, Canada and France are the biggest generic markets for Ranbaxy in this therapeutic area. Our presence in generic market segment was further aided by the launch of Nabilone in Canada and Cyclobenzaprine in the USA.

In India, Volini continues as the No.1 brand prescribed by doctors, while in Eastern Europe and CIS, Ranbaxy's Ketanov continues to be among the leading brands of Ketorolac.

Gastrointestinal: Steady growth

Gastroenterology is the fourth largest therapeutic segment for us. We have a well established presence in both the generic and branded markets. Proton Pump Inhibitors (PPIs), led by the Esomeprazole launch last year, continued to dominate our presence in the important generic markets of Europe, Canada and Australia. Our leading brands in the segment, including Histac (Ranitidine), Raciper (Esomeprazole), Roles (Rabeprazole), Pylobact, Gestid and Pepfiz, are growing in their respective segments in branded markets of India, Malaysia, Poland, Nigeria, South Africa and the Middle East.

Other Therapy Segments

Our presence in Respiratory and Nutritionals is marked by the success of leading brands like Faringosept and Revital, respectively. These continue to be our flagship brands in the various branded markets.

Key Day 1 generic product launches in 2012

Molecule	Markets
Atorvastatin	Australia, Italy, Germany, Netherlands, Sweden
Donepezil	UK, Italy, Germany, Spain, Portugal, France
Olanzapine	Australia
Letrozole	Australia
Rosuvastatin	Canada
Candesartan	Romania, France, Italy

Key branded product launches in 2012

Product	Market
Absorica™	USA
Synriam™	India
Tavanic®	South Africa
Acostin Injection	India
Loditer Injection	Romania
Storvas Compliance Pack	India
Teczine 10	India
Suncros Aqualotion	India
Nutri Kit	India
Tri Olvance	India
Tandesar	Romania

Leading Generic Products

Atorvastatin and Combinations	Hydroquinone Combinations
Amlodipine and Atorvastatin	Clindamycin
Valacyclovir	Esomeprazole
Pioglitazone and Combinations	Pantoprazole and Combinations
Fenofibrate and Combinations	Cefuroxime Axetil

Leading Branded Products

Molecule	Brand Name
Ketorolac Tromethamine	Ketanov
Atorvastatin and Combinations	Storvas, Lipogen, Ascord
Ciprofloxacin and Combinations	Cifran
Amoxicillin and Clavulanic Acid	Mox Clav, Enhancin and Ranclav
Imipenem + Cilastatin	Cilanem and Bacqure
Cephalexin	Sporidex
Amoxicillin and Combinations	Mox, Betamox and Ranoxyl
Ceftriaxone	Oframax
Clarithromycin	Klabax, Klarithran and Crixan
Rosuvastatin	Rosuvas

Leading therapies in generic and branded markets

Generic markets	Branded markets
Cardiovasculars	Anti-infectives
Anti-Infectives	Cardiovasculars
Gastroenterology	Pain and Musculoskeletal
Pain and Musculoskeletal	Nutritionals
Central Nervous System	Respiratory System
Dermatologicals	Gastroenterology
Respiratory System	Dermatologicals
Endocrine and Metabolic Agents	Central Nervous System
Genito Urinary	Genito Urinary
Nutritionals	Endocrine and Metabolic Agents

Manufacturing

The focus for 2012 was on simplification of manufacturing processes and utilisation of technology to improve compliances and productivity. Conscious efforts were made towards enhancing service excellence and flexibility in manufacturing and developing manufacturing competencies in line with new technology.

Our facility in Paonta Sahib ensured Day 1 launches of multiple molecules in the year; some of the important ones being Atorvastatin, Donepezil, Irbesartan, Lamivudine, Olanzapine, Pantoprazole, Quetiapine and Rosuvastatin.

During the year, the company commissioned a separate ointment facility at Batamandi. As per the directive of Directorate General of Foreign Trade (DGFT), India we implemented bar coding in tertiary shippers and also implemented 2D bar coding in secondary pack

for all the SKUs for Russia/CIS. The implementation for SKUs of other countries are under progress.

Our facility in Malaysia installed CFM vacuum transfer for closed loop granules, online shipper weighing, high efficiency in-house laundry system, online semi-automatic tablet inspection machine and dynamic pass boxes in 5 different places to control the process area being exposed during material transfer.

With our focus on emerging markets and with Malaysia identified as one of the key markets a second manufacturing facility received approval from the Government of Malaysia. This manufacturing facility will be an Entry Point Project (EPP) with an investment of US$ 40 million and will provide employment to over 200 people.

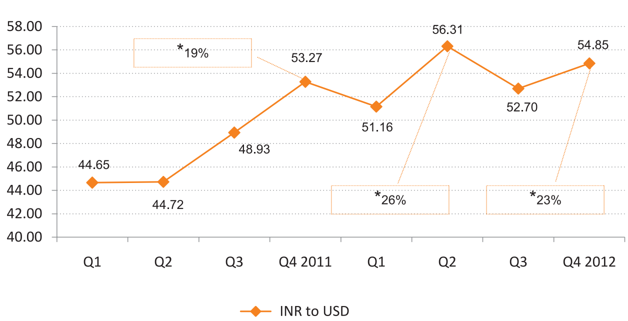
In our Be-Tabs facility at South Africa, the capacity for Oral Solid Dosage (OSD) was enhanced from 1 billion units/year to 1.5 billion units/year on one shift basis and the LCO capacity was enhanced from 0.4 million bottles/year to 0.7 million bottles/year. Other projects included the successful commissioning of the Capsule Sorter, Microlab in the facility at Mohali and other enhancements in the units in Goa, South Africa and Malaysia.

Ohm Laboratories underwent cGMP (current Good Manufacturing Practices) inspection. A precedent was set during the inspection when there were no 483 observations at any of the three inspected facilities. This has been a significant achievement reflecting our dedication and commitment to quality.

Financial Performance

We continued to be the largest pharma company from India with consolidated global sales of Rs. 122,529 million in CY 2012, which represent a growth of 23% in rupee terms over CY 2011. Earnings before Interest, Tax, Depreciation and Amortisation, without considering exceptional items, was Rs. 18,227 million and Profit after Tax was Rs. 9,228 million. Profitability for the year improved despite the challenges in some of the major markets viz. (i) India: finalisation of the price control measures by the Government; (ii) Romania: unexpected increase in rate of “clawback”, similar to the sales tax rate; (iii) USA: recall of Atorvastatin and inventory

Forex fluctuation



*INR Depreciation since Q1, CY11

related write offs; (iv) Quality: exceptional expenses on consultants, among others; and (v) Foreign exchange fluctuations impacting mark to market on the legacy derivatives.

We are a net export earner with over three-fourths of our turnover coming from overseas. Consequently, any sharp movements in the foreign exchange rates may have a significant impact on the company’s financial results.

The prices of certain pharmaceutical products are regulated by the National Pharma Pricing Policy (NPPP), expected to be implemented in 2013. Ranbaxy will be impacted adversely due to the implementation of this policy. The policy now proposed for a period of 5 years, addresses concerns regarding stability in the IPM. Should there be other unforeseen detrimental changes to the policy, the company as well as the IPM may face further negative impact. We have some pending legal cases and in all these matters we have obtained orders from the respective Courts in our favour so far.

We have had an enviable track record of First-to-File monetisation. In 2009, the company monetised on Valacyclovir (Valtrex®, a US$ 1.3 billion brand sales product in which we took peak 74% market share in the GSK product). In 2010, we monetised Donepezil (Aricept®, a US$ 2.6 billion brand sales product in which we took peak 36% market share in the Eisai product). In 2011, we launched Atorvastatin (Lipitor®, a US$ 7.9 billion brand sales product in which we took over 50% market share at peak). Since then, the company proactively withdrew select batches of Atorvastatin in the US market temporarily and has taken certain inventory and other write-offs. The company has since re-launched the product in the US market.

In 2012, the company launched Pioglitazone AG (Actos®, a US$ 2.7 billion brand sales product, where as an Authorised Generic, we took over 30% market share in the Takeda product).

Our focus has been on improving profitability from operations across markets in various ways, for example:

- Improving share in target markets through higher product filings
- Focusing on our ‘brand’ markets to further improve the product mix
- Working towards attaining global leadership in certain chosen generic products
- Rationalise products in certain markets, aimed at retaining more important products and reduce complexity through manufacturing, supply chain and marketing
- Aligning organisation structure for greater marketing synergies
- Drive cost-efficiency throughout the organisation
- Continuously improve manufacturing efficiencies

During CY 2012, the company had some exceptional items of charges, which impacted the reportable profit:

- Atorvastatin recall: During the second half of the year, the company made a voluntary nationwide recall of Atorvastatin calcium tablets in the USA due to the potential presence of very small glass particles resembling a fine grain of sand. We had to charge a one-time inventory write-off on our books. Additionally, there were certain expenses related to recall which impacted profitability.

- Foreign exchange: The rupee weakened by ~3% (Rs. 1.5) against the US Dollar during the year. The weaker Indian Rupee led to an MTM loss of ~US$ 27 million for the year on account of the outstanding derivatives and external commercial borrowings.

- Remediation cost: The company is incurring a higher level of remediation cost for its CD and related projects. While this is a substantial operating expenditure, the company is confident that this should begin to wind down once the remediation is well underway.

The company raised US$ 200 million of Long Term debt in 2012. Of this ~ US$ 100 million debt was raised in Quarter 3, 2012 and the remaining ~ US$ 100 million (Rs. 5,000 million), was raised through Non-convertible Secured Debentures. The company received a AA+ rating from CARE.

The net debt (i.e. after adjusting for marketable liquid securities and cash) position improved from US$ 267 million, at the beginning of the year, to US$ 45 million at the end, aided by exclusivity and post-exclusivity revenues. The healthier cash position was aided by strong Atorvastatin FTF and Actos® AG cash flows.

As we continue to drive growth in our businesses across geographies, flexibility to finance the potential growth is being maintained to facilitate the company seize such opportunities that may arise. The company continues to maintain good relations with its financial partners.

We have implemented robust financial controls through extensive use of technology and continue to strengthen processes to meet the needs of expanding operations across the globe and the emerging competitive environment.

Human Resources

Ranbaxy is built on the strong foundation of its people. In a knowledge driven pharmaceutical industry, people are the most critical drivers of growth. Throughout our journey, we have sought to build an organisation through individual and team contributions - an organisation which values respect and delivery. One of the cornerstones of this strategy has been to create a strong Employee Value Proposition.

The four pillars on which we have been building Employee Value Proposition are: Talent Management, Learning and Development, Benefits and Engagement. In 2012, the HR team engaged with employees on several initiatives around this strategy.

Ours is a performance oriented culture where there is emphasis on meritocracy, objectivity and transparency. An integrated talent management process will become the foundation of how we manage and develop talent to ensure a strong leadership pipeline. In certain areas, we have worked with Daiichi Sankyo, on providing learning and career opportunities across the Ranbaxy - Daiichi Sankyo globe.

There is renewed focus on Learning and Development initiatives, tailored to address the needs of each of our business segments and revamping other processes and practices. We launched an integrated Learning Calendar that focuses on building future capability. One of the new initiatives in that direction has been the STAR Programme for accelerating employee development.

As we take Ranbaxy forward, we have embarked on a journey to make our benefits competitive, contemporary and global. We value the aspirations and the voice of the employees, which is structurally solicited, especially through a global engagement survey. Based on the survey, a structured process to analyse feedback, brainstorm action plans and implement them through dedicated teams was set up. The objective was to create a cohesive work culture.

We take pride in successfully creating a multi-cultural workforce, represented by over 50 nationalities and offering diversity with a manpower strength of approximately 1,100 employees in R&D; 1,600 employees in Quality; 4,100 employees in Manufacturing; and 7,500 employees in our Global Pharmaceutical Business, corresponding to an overall manpower strength of more than 14,600 employees globally.

Internal Control Framework

The company believes in sound internal control systems as a necessary prerequisite of good governance in which management authority should be exercised within a framework of appropriate checks and balances. Our management is committed towards ensuring an effective internal control environment, commensurate with the size and complexity of our business, to provide assurance on the efficiency of company operations and the security of its assets.

A robust and independent Global Internal Audit (GIA) function at the corporate level carries out risk focused audits across all functions and businesses (both in India and Overseas), to identify areas where process controls may need to be improved. The reviews include financial, operational and compliance controls and measures taken to mitigate risks. The Audit Committee of the Board reviews GIA's findings periodically and provides guidance as well. The operating management of the company closely monitors the internal control environment to ensure that GIA's recommendations are effectively implemented.

As a subsidiary of a Japanese company – Daiichi Sankyo listed in Tokyo, Japan, Ranbaxy has established rules with respect to internal controls related to financial reporting obligations under the Financial Instruments and Exchange Law (commonly known as J-SOX). The company's GIA also reviews annually compliance to all such rules, in close consultation with the corporate accounts department, the holding company and the auditors.

Cautionary Statement

The management has prepared and is responsible for the financial statements that are based on informed judgments and estimates. Some of the statements in the "Management Discussion and Analysis" describing the company's objectives, estimates, expectations or projections may be "forward looking statements" within the meaning of applicable laws and regulations. While the management has based these forward looking statements on its current expectations and projections about the future events, actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include Government regulations, patent laws, tax regimes, economic developments within India and countries in which the company conducts business, litigation and other allied factors.

Growth rates, unless otherwise mentioned are on constant currency.

ANNEXURE B

Information regarding Employees' Stock Option Schemes and Plan (As on December 31, 2012)

I. Numbers of options granted, vested, lapsed, forfeited etc.

A. Employees' Stock Option Schemes

S. No.	Details	Nos.
1.	Total no. of options in force at the beginning of the year	6,253,100
2.	No. of options vested during the year	805,454
3.	No. of options exercised during the year	457,642
4.	No. of shares arising as a result of exercise of options during the year (including additional shares allotted on account of bonus shares as explained in Note no. 1 below)	474,079
5.	No. of options lapsed and forfeited during the year	486,057
6.	Variance in terms of options	N.A.
7.	Money realized by exercise of options during the year	Rs.152,694,877.50
8.	Total no. of options in force at the end of the year	5,309,401

Notes:

1. Options granted upto October 3, 2002, are entitled for additional shares on account of bonus shares in the ratio of 3 for 5.
2. Pricing formula: Closing price of the Equity Shares of the Company prior to the date of meeting of the Compensation Committee in which stock options were granted, on the stock exchange on which the shares of the Company are listed.
3. The shareholders at the Annual General Meeting held on May 9, 2011, approved Ranbaxy Employee Stock Option Plan-2011 (ESOP-2011) of the Company. Hence the Company has discontinued granting of stock options under earlier Schemes.

B. Employee Stock Option Plan -2011

S. No.	Details	Nos.
1.	Total no. of options in force at the beginning of the year	765,718
2.	Options granted in the year 2012	807,968
3.	No. of options vested during the year	268,128
4.	No. of options exercised during the year	238,762
5.	No. of shares arising as a result of exercise of options during the year	238,762
6.	No. of options lapsed and forfeited during the year	116,750
7.	Variance in terms of options	N.A.
8.	Money realized by exercise of options during the year	Rs. 1,193,810.00
9.	Total no. of options in force at the end of the year	1,218,174

Exercise Price: Rs. 5/- each.

II. Options granted in the year 2012 to Senior Managerial Personnel:

Name	Designation (Present)	No. of Stock Options
Mr. Arun Sawhney	CEO & Managing Director	15,759
Dr. Sudershan Arora	President- Research & Development	10,920
Mr. Rajiv Gulati	President-Global Pharmaceutical Business	8,190
Mr. Indrajit Banerjee	President and Chief Financial Officer	3,640*
Mr. Ashwani K. Malhotra	Executive Vice President - Global Pharma Manufacturing & Supply Chain	7,800
Mr. Ranjan Chakravarti	Executive Vice President - Corporate Development & Alliance Management	7,800
Mr. T. L. Easwar	Sr. Vice President - API Manufacturing & Projects	5,670
Mr. David Briskman	Vice President and Chief Information Officer	5,460
Mr. S.K. Patawari	Vice President and Company Secretary	5,460
Mr. Manjeet Bindra	Chief Data Reliability Officer	2,145

* Prorata from the date of joining.

III. Employees who have been granted 5% of more of the options granted during the year : Nil

IV. Employees who have been granted options during any one year equal to or exceeding 1% of the issued capital of the Company at the time of grant : Nil

V. Diluted earnings per share (EPS) Rs. : (3.85)

VI. (a) Method of calculation of employee compensation cost : The Company has calculated the employee compensation cost using the *intrinsic value* of the stock options

(b) Difference between the employee compensation cost so computed at (a) above and the employee compensation cost that shall have been recognized if it had used the *fair value* of the options : Rs. 109.36 Mn

(c) The impact of this difference on profits and on EPS of the Company :

Loss after tax	: Rs. 1,623.39 Mn
Add: additional employee compensation cost based on *fair value* (net of tax)	: Rs. 109.36 Mn
Adjusted Loss after Tax	: Rs.1,732.75 Mn
Adjusted EPS(diluted)	: Rs. (4.11)

VII. Weighted-average exercise price and fair value of Stock Options granted : (Post split adjusted price)

Stock options granted on	Weighted average exercise price (in Rs.)	Weighted average Fair value (in Rs.)			Closing market price at NSE on the previous day of the grant (in Rs.)
12.01.2001	336.50	145.00			324.15
03.12.2001	297.50	188.50			369.48
01.04.2002	372.50	226.00			449.48
07.02.2003	283.50	132.50			317.45
22.01.2004	496.00	212.50			503.10
17.01.2005	538.50	215.68			534.33
17.01.2006	392.00	194.07			391.15
17.01.2007	430.00	232.57			429.65
16.01.2008	391.00	107.06			390.75
11.06.2008	561.00	172.89			560.75
19.12.2008	219.00	63.31			218.60
21.01.2009	216.00	92.97			215.15
24.02.2010	450.00	218.64			449.60
		Term of Option			
01.07.2011	5.00	1.25 years	2.25 years	3.25 years	541.35
		534.36	532.74	531.09	
21.01.2012	5.00	1.25 years	2.25 years	3.25 years	468.35
		464.49	462.86	461.20	
22.02.2012	5.00	1.25 years	2.25 years	3.25 years	449.20
		441.92	440.29	438.63	

VIII. Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information : The Black-Scholes option pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since Option pricing models require use of substantive assumptions, changes therein can materially affect fair value of Options. The option pricing models do not necessarily provide a reliable measure of fair value of options.

The main assumptions used in the Black- Scholes option pricing model during the year were as follows:

Particulars			Options granted on 21.01.2012			Options granted on 22.02.2012
Dividend yield			0.42%			0.45%
Term of Option	1.25 years	2.25 years	3.25 years	1.25 years	2.25 years	3.25 years
Risk free interest rate	8.18%	8.11%	8.08%	8.61%	8.43%	8.32%
Expected volatility			45.80%			45.85%

ANNEXURE C

Information pursuant to Companies (Disclosure of Particulars in Report of the Board of Directors) Rules, 1988, forming part of the Report of the Directors

1. CONSERVATION OF ENERGY AND ITS IMPACT

Measures for Conservation of Energy	Impact resulting into saving (in Rs. Million)
• Optimizing operations of chilled water refrigeration system.	2.30
• Optimizing operations of 6 air handling systems at site.	1.80
• Replacement of steam traps with new design efficient traps in multi effect evaporators and agitated thin film driers leading to fuel saving through steam conservation.	1.54
• Replacement of high pressure high steam consuming Jet Ejector with high efficiency low pressure low steam consuming ejector.	1.53
• Increasing in fuel combustion efficiency in Boiler by using fuel catalyst.	1.20
• Automation in cooling towers through installation of temperature controllers and sensors for energy savings.	1.02
• Increase in steam to fuel ratio from 11.4 to 11.8 by increasing the condensate recovery.	1.01
• Increase in steam condensate recovery leading to fuel saving.	0.79
• Optimizing operations of chilled brine refrigeration system.	0.77
• Replacement of hot water tanks with high efficiency plate heat exchangers leading to fuel saving through steam conservation.	0.74
• Replacement of cooling water pumps with energy efficient pumps resulting in saving electrical energy.	0.62
• Saving of electrical energy consumption by installing variable frequency drive on air compressor thus optimization the operations.	0.15

2. RESEARCH & DEVELOPMENT

(a) Specific areas in which R&D is carried out

- Develop technology for Active Pharmaceutical Ingredients (APIs), conventional and value added innovative dosage forms - complying with international quality and regulatory norms.
- Develop “Platform Technologies” and “Products” in the area of Novel Drug Delivery Systems.
- Development of New Chemical Entities.
- GLP/cGCP complying Bioavailability / Bioequivalence, Toxicology and Clinical Studies (Phase – I, II & III).
- Innovation in packaging for improved patient convenience & compliance.
- Upgradation of existing technologies / products on ongoing basis.

(b) Benefits derived as result of R&D activities

- Technology to manufacture APIs and Dosage Forms.
- Oral Controlled Release Dosage Forms leading to better patient convenience and compliance.
- Improved productivity / process efficiencies.
- Internationally competitive prices and product quality.
- Safe and environment friendly processes.
- Generation of Intellectual wealth for the Company in key potential markets.
- Grant of process patents for Active Pharmaceutical Ingredients (APIs) as well as Dosage Forms (both conventional and novel drug delivery systems).
- Self reliance and import substitution for conservation of foreign exchange.
- Foreign exchange earnings / savings.
- Speed to marketplace.
- Enhanced business through Licensing arrangements and strategic alliances.
- Enhanced Global presence / visibility.

(c) Future plan of action

- Continue augmenting R&D capabilities and productivity through technological innovations, use of modern scientific and technological techniques, training and development, benchmarking and global networking.
- Greater thrust in the areas of Novel Drug Delivery Systems and Differentiated Products.
- Continue developing innovative, commercially viable process know-how for both Active Pharmaceutical Ingredients (APIs) and Dosage Forms.
- Continue strengthening the Research infrastructure and capabilities complying international GLP/cGCP norms.
- Continue improvements in packaging for pharmaceuticals to ensure shelf-life, stability, quality and better patient convenience and compliance.
- Enhance national and international research networking and strategic alliances.

3. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts in brief, made towards technology absorption and innovation-As per 2(a).

b) Benefit derived as a result of the above efforts, e.g. product improvement, cost reduction, product development-As per 2(b) above.

Future Course of action

a) To continue developing innovative and commercially viable process knowhow for API and Dosage Forms (Conventional and Novel Drug Delivery System).

b) Information in case of imported technology (imports during the last five years)-Not applicable.

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase exports; development of new export markets of products and export plans –

- For the first time Ranbaxy crossed international sales of Rs.100 Billion. The international sales for the year ended December 31, 2012 were Rs. 100,521 Million. The export sales by Ranbaxy for its Indian operations were Rs.39,093 million for the year 2012.
- The Company continued to file Drug Master Files (DMFs) for APIs and Dosage Forms in the U.S., Europe and Rest of the World with the respective regulatory authorities.
- The Company continued to receive income by way of royalty, technical and management service fee and dividend from overseas subsidiaries/ affiliates.
- Exports continued to be key focus for the Company and initiatives include alliances in international markets.
- The Company successfully launched authorized generic (AG) of Actos®, Pioglitazone Hydrochloride, Absorica®, NDA in the U.S. during the year. The other key products sold in the U.S., the largest international market for Ranbaxy are Atorvastatin, generic of Lipitor® (largest product in the U.S.) and AG Caduet®, i.e. Amlodipine + Atorvastatin.
- The Company made several new Dosage Formulations/ product launches including Atorvastatin in Australia and in several other European countries viz. Italy, Netherlands, Sweden and Germany. The Company launched RAN™– Rosuvastatin in Canada during the year.
- In pursuit of its Hybrid Business Model with Daiichi Sankyo (DS), the Company started marketing Sevikar® (Olmesartan Medoxomil + Amlodipine Besylate) tablets in Romania and AG Evoxac® (Cevimeline Hydrochloride) in the U.S. during the year. The Company continues to supply various DS products in other international markets such as Singapore, Africa, Italy, Romania and Malaysia.

In Rs. Million

Foreign Exchange	**Year ended December 31, 2012**	Year ended December 31, 2011
Earnings	**39,515.72**	55,815.16
Outgo	**21,826.90**	56,000.30

Form for disclosure of particulars with respect to conservation of energy

A. Electricity and Fuel Consumption

	Current Year 2012	Previous Year 2011
1. Electricity		
(a) Purchased Units (KWH)	**161,112,316**	150,971,815
Total Amount (Rs. Million)	**899.31**	741.03
Rate/Unit (Rs.)	**Rs.5.58**	Rs.4.91
(b) Own Generation		
i) Through Diesel Generator Unit (KWH)	**11,601,674**	8,200,188
Unit per Ltr. of Diesel Oil	**3.60**	3.21
Cost/Unit	**Rs.10.97**	Rs.11.07
ii) Through Steam Turbine/Generator	**Not Applicable**	Not Applicable
2. Coal (Specify quality and where used)	**Not Applicable**	Not Applicable
3. Steam		
(a) Furnace Oil Qty. (K. Ltrs.)	**10,305**	11,270
Total Amount (Rs Million)	**429.21**	413.22
Average Rate (Rs. per Ltr.)	**Rs.41.65**	Rs.36.66
(b) LNG Qty (1000's SCM)	**7,625**	7,539
Total Amount (Rs Million)	**Rs.251.32**	Rs.200.60
Average Rate (Rs. per SCM.)	**Rs.32.96**	Rs.26.61
(c) HSD Qty (K. Ltrs.)	**2,982**	1,311
Total Amount (Rs. Million)	**117.97**	47.04
Average Rate (Rs. per Ltr.)	**Rs.39.56**	Rs.35.89
4. Others/internal generation	**Not Applicable**	Not Applicable

B. Consumption per unit of production

	Units	Standards (if any)	Current Year 2012	Previous Year 2011
Electricity				
Active Pharmaceutical Ingredients	(kwh per kg)	No specific standards - consumption per unit depends on product mix	**136.25**	109.46
Dosage Forms	(kwh per 1000 packs)		**185.30**	130.96
Furnace Oil				
Active Pharmaceutical Ingredients	(Ltrs per kg)		**11.19**	10.13
Dosage Forms	(K.Ltrs per 1000 packs)		**0.01**	0.01
LNG				
Active Pharmaceutical Ingredients	(SCM per kg)		**7.20**	5.57
Dosage Forms	(1000's SCM per 1000 packs)		**0.01**	0.01
Coal			**Not Applicable**	Not Applicable
Others			**Not Applicable**	Not Applicable

REPORT ON CORPORATE GOVERNANCE

1. THE COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

In order to ensure sustainable returns to all stakeholders of the business, it is imperative, especially for large organizations, to adopt and follow certain policies, procedures and processes, which together constitute a "Code of Corporate Governance". It is important that such a Code is institutionalized, to ensure transparency, consistency and uniformity of decision making processes and actions. Ranbaxy has always believed in such a "Sound" Code of Corporate Governance, as a tool for highest standards of management and business integrity.

2. BOARD OF DIRECTORS

The details of Directors on the Board of the Company as on December 31, 2012, are as under:

Name of the Director	Category	Number of Directorships held in other companies @	Number of Board Committee memberships held in other companies ^	Number of Chairmanship of Board Committees held in other companies^
Dr. Tsutomu Une, Chairman	Non-Executive-Non-Independent	–	–	–
Mr. Takashi Shoda	-do-	–	–	–
Dr. Kazunori Hirokawa*	-do-	–	–	–
Dr. Anthony H. Wild	Non-Executive-Independent	–	–	–
Mr. Akihiro Watanabe	-do-	–	–	–
Mr. Percy K. Shroff	-do-	–	–	–
Mr. Rajesh V. Shah	-do-	4	1	–
Mr. Arun Sawhney,** CEO & Managing Director	Executive	–	–	–

@ Excludes private and foreign companies and companies registered under Section 25 of the Companies Act, 1956.

^ Includes only the membership of Audit and Shareholders'/Investors' Grievance and Share Transfer Committees of Indian public limited companies.

* Dr. Kazunori Hirokawa was appointed as an Additional Director on May 9, 2012.

** Mr. Arun Sawhney was re-appointed as CEO & Managing Director of the Company by the Shareholders for a further period of five years effective January 1, 2012.

Note:

None of the Directors are related inter-se.

3. BOARD MEETINGS

Dates of Board meetings are fixed in advance. Agenda papers are circulated to Directors in advance through a specifically designed portal for the Board of Directors and hard copies are also made available to the Directors.

Meetings and Attendance

During the year 2012, **five** Board meetings were held on January 21, February 23, May 9, August 9 and November 8, 2012.

Attendance of Directors at Board Meetings and at the Annual General Meeting (AGM)		
Name of the Director	**No. of Board Meetings attended**	**Whether Attended the AGM held on May 8, 2012**
Dr. Tsutomu Une	5	Yes
Mr. Takashi Shoda	5	Yes
Dr. Anthony H. Wild	5	Yes
Mr. Akihiro Watanabe	5	Yes
Mr. Percy K. Shroff	5	Yes
Mr. Rajesh V. Shah	5	Yes
Dr. Kazunori Hirokawa	3	N.A.
Mr. Arun Sawhney	5	Yes

At the Board Meeting held on February 23, 2012, Mr. Indrajit Banerjee, President & CFO was made a permanent Invitee for the Board meetings.

4. COMMITTEES OF THE BOARD

(i) Audit Committee

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreements with the Stock Exchanges. The terms of reference include –

- Overseeing financial reporting processes.
- Reviewing periodic financial results, financial statements and adequacy of internal control systems.
- Approving internal audit plans and reviewing efficacy of the function.
- Discussion and review of periodic audit reports.
- Discussions with external auditors about the scope of audit including the observations of the auditors.
- Recommend to the Board, appointment of the statutory auditors and fixation of audit fees.
- Reviewing with the management the performance of statutory and internal auditors.

Minutes of meetings of the Audit Committee are circulated to members of the Committee, Board and the Invitees.

Composition and Attendance

During the year 2012, **four** meetings of the Audit Committee were held on February 22, May 8, August 8 and November 7, 2012 respectively. The composition of the Committee and details of the meetings attended by the members during the year are as under:

Name of the Member	No. of Meetings attended
Mr. Akihiro Watanabe, Chairman	4
Dr. Tsutomu Une	4
Dr. Anthony H. Wild	4
Mr. Percy K. Shroff	4
Mr. Rajesh V. Shah	4
Permanent Invitee Mr. Arun Sawhney	4

Mr. Takashi Shoda and Dr. Kazunori Hirokawa attended four and two meetings respectively as invitees.

Members of the Audit Committee are financially literate and have held or hold senior positions in reputed organizations. The Chairman of the Audit committee has accounting and financial management expertise.

The Statutory Auditors, Internal Auditor, Cost Auditor and the Chief Financial Officer are invited to attend and participate at meetings of the Committee.

The Company Secretary acts as the Secretary to the Committee.

The Chairman of the Audit Committee was present at the Annual General Meeting held on May 8, 2012.

(ii) Compensation Committee

The Company has constituted a Compensation Committee whose terms of reference include –

- Administration and superintendence of Employee Stock Option Schemes (ESOS).
- Formulation of the detailed terms and conditions of the ESOS.
- Grant of stock options.
- Recommendation for fixation and periodic revision of compensation of the CEO & Managing Director and Executive Directors to the Board for approval, review and approve compensation policy (including performance bonus, incentives, perquisites and benefits) for senior management personnel.

Minutes of meetings of the Compensation Committee are circulated to members of the Committee, Board and the Invitees.

Composition and Attendance

During the year 2012, **two** meetings of the Compensation Committee were held on January 21 and February 22, 2012. The composition of the Committee and details of the meetings attended by the members during the year are as under:

Name of the Member	No. of Meetings attended
Mr. Rajesh V. Shah, Chairman	2
Dr. Tsutomu Une	2
Mr. Percy K. Shroff	2
Dr. Anthony H Wild	2
Permanent Invitee Mr. Arun Sawhney	2

Mr. Takashi Shoda and Mr. Akihiro Watanabe attended the above Compensation Committee meetings as invitees. Mr. Indrajit Banerjee, President & CFO also attended the meeting held on February 22, 2012.

Senior Executives of the HR Function are invited to make presentations at the meetings of the Committee.

Remuneration Policy

The Remuneration Policy of the Company for managerial personnel is primarily based on the following criteria:

- Performance of the Company, its divisions and units;
- Track record, potential and performance of individual managers; and
- External competitive environment.

Remuneration to the CEO & Managing Director

Remuneration has been paid to Mr. Arun Sawhney, CEO & Managing Director of the Company, pursuant to the approvals of the Shareholders, Board of Directors and Compensation Committee, as under:

Name of the Director	Salary, Allowances & Incentive	Commission	Perquisites	Retiral Benefits	Stock Options (Number)	Service Contract	
						Tenure	Notice Period
	-------------------- Rs. Lacs -----------------------						
Mr. Arun Sawhney	892.23@	–	47.23*	32.63	15,759	5 years	6 months

@ Excludes Retention Bonus, which the Board is authorized to pay to Mr. Arun Sawhney on completion of three years of services.

* Includes perquisite value of stock options.

Notes:

1. The shareholders of the Company in their Annual General Meeting held on May 8, 2012 (AGM) approved the re-appointment of Mr. Arun Sawhney as the CEO & Managing Director for a period of five years and payment of remuneration for a period of three years effective January 1, 2012 on terms as set out in the AGM Notice. The appointment and payment of remuneration to Mr. Arun Sawhney is in accordance with the conditions stipulated under Notification No. GSR 534 (E) dated July 14, 2011 read with the clarification dated August 16, 2012, issued by the Ministry of Corporate Affairs.
2. During the year, Mr. Arun Sawhney was granted 15,759 stock options pursuant to Employee Stock Option Plan-2011 of the Company, which will vest over a period of three years from the date of grant. Under the said Plan, each option is exercisable for one equity share at face value of Rs.5/- each.
3. Retiral benefits are exclusive of provisions for future liabilities in respect of retirement benefits (which are based on actuarial valuation done on overall Company basis).

Remuneration to Non-Executive Directors

The Company benefits from diverse professional expertise and experience of its Non-Executive Directors as they make valuable contributions at the Board and Committee meetings, review the operations and advise on the major issues and strategy of the Company.

Keeping in view their contribution and the statutory responsibility being shouldered by them, the Shareholders of the Company at the Annual General Meeting held on May 8, 2012 unanimously approved the payment of remuneration of Rs. 50 Lacs to each of the Non-Executive Non-Independent Directors and Rs.100 Lacs to each of the Non-Executive Independent Directors for the year 2011, 2012 and 2013 subject to requisite approval of the Central Government. Post approval of the Central Government, the Non-Executive Directors were paid remuneration for the year 2011 as approved by the Shareholders. Dr. Kazunori Hirokawa was appointed as Non Executive Director effective May 9, 2012. Approval of the Shareholders is being sought to pay him remuneration of Rs.32.5 Lacs for the period from May 9, 2012 to December 31, 2012 and Rs.50 Lacs for the financial year 2013 at par with other Non-Executive Non-Independent Directors subject to requisite approval of the Central Government. The Company would seek approval of the Central Government for payment of remuneration to the Non-Executive Directors as approved by the shareholders for the year 2012.

The Non-Executive Directors are also paid sitting fees for attending Board/Committee meetings. Details of sitting fees and remuneration paid to the Non-Executive Directors during the year are as under:

Name of the Director	Remuneration for the year 2011 (Rs. Lacs)	Sitting Fees (Rs. Lacs)
Dr. Tsutomu Une	50	2.65
Mr. Takashi Shoda	50	1.40
Mr. Rajesh V. Shah	100	2.20
Mr. Percy K. Shroff	100	2.45
Dr. Anthony H. Wild	100	2.60
Mr. Akihiro Watanabe	100	1.80
Dr. Kazunori Hirokawa	–	0.60

None of the Non-Executive Directors holds any shares in the Company.

(iii) Science Committee

The terms of reference of Science Committee include review focus areas of research and monitoring progress on generic development.

Minutes of meetings of the Science Committee are circulated to members of the Committee, Board and the Invitees.

Composition and Attendance

During the year 2012, **two** meetings of the Science Committee were held on February 22 and November 7, 2012. The composition of the Committee and details of the meetings attended by the members during the year are as under:

Name of the Member	No. of Meetings attended
Dr. Tsutomu Une, Chairman	2
Mr. Takashi Shoda	2
Dr. Anthony H. Wild	2
Mr. Arun Sawhney	2
Permanent Invitee Dr. Sudershan K. Arora-President-R&D	2

Dr. Kazunori Hirokawa and Mr. Akihiro Watanabe, Directors, attended one meeting of Science Committee as invitees.

Dr. Hirokawa was inducted as a member of the Science Committee effective November 8, 2012 and nominated as the Chairman of the Committee effective January 21, 2013 in place of Dr. Tsutomu Une.

(iv) Shareholders'/Investors' Grievance and Share Transfer Committee

The Shareholders'/Investors' Grievance and Share Transfer Committee has been constituted as per the provisions set out in the Listing Agreement. The terms of reference include –

- Approve transfers, transmissions, issue of duplicate certificates, transpositions, change of names etc, and to do all such acts, deeds, matters and things as connected therewith.
- Review complaints of the shareholders and action taken by the Company.

  Minutes of meetings of the Shareholders'/Investors' Grievance and Share Transfer Committee are circulated to members of the Committee and the Board.

Composition and Attendance

During the year 2012, **five** meetings of the Committee were held on February 10, April 16, June 25, October 4 and December 7, 2012. The composition of the Committee and details of the meetings attended by the members during the year are as under:

Name of the Member	No. of Meetings attended
Mr. Percy K. Shroff, Chairman	5
Dr. Tsutomu Une	1
Mr. Arun Sawhney	5

The Company addresses all complaints, suggestions and grievances expeditiously and replies have been sent/issues resolved usually within 15 days except in case of dispute over facts or other legal constraints.

The Company received 17 shareholders' complaints which inter-alia included non-receipt of dividend, annual report, share certificates etc. The complaints were duly attended to and the Company has furnished necessary documents/ information to the shareholders. There are no complaints pending as on December 31, 2012.

The Shareholders'/Investors' Grievance and Share Transfer Committee reviews complaints received and action taken by the Company in this regard.

No requests for share transfers are pending except those that are disputed or sub-judice.

Mr. S.K. Patawari, Company Secretary is the Compliance Officer of the Company.

5. GENERAL BODY MEETINGS

Details of the General Meetings held in the last three years:

Annual General Meeting

Year	Date	Day	Time	Venue	Special Resolutions Passed
2010	10-5-2010	Monday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	No Special Resolution passed.
2011	9-5-2011	Monday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	• Approval under Section 81(1A) of the Companies Act, 1956 for allotment of 3,000,000 Equity Shares to the eligible employees, including any Director of the Company under Ranbaxy Employee Stock Option Plan-2011. • Approval under Section 81(1A) of the Companies Act, 1956 for allotment of Equity Shares within the aforesaid overall ceilings of 3,000,000 Equity Shares to the eligible employees including any Director of any current or future subsidiaries of the Company under Ranbaxy Employee Stock Option Plan-2011.
2012	8-5-2012	Tuesday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	• Approval for payment of remuneration to the Non-Executive Directors for the years 2011, 2012 and 2013. • Approval for waiver of recovery of excess remuneration paid to Mr. Arun Sawhney for the year 2011. • Approval for re-appointment of Mr. Arun Sawhney as CEO & Managing Director of the Company for a period of five years with effect from January 1, 2012 and fixation of ceilings of remuneration for a period of three years.

6. CODE OF CONDUCT

The Code of Conduct for the Directors and Employees of the Company is posted on the website of the Company.

Declaration as required under Clause 49 of the Listing Agreement

All Directors and Senior Management personnel of the Company have affirmed compliance with the provisions of the Ranbaxy Code of Conduct for the financial year ended December 31, 2012.

Arun Sawhney
CEO & Managing Director

Gurgaon (Haryana)
February 8, 2013

7. Certificate from CEO and CFO

Certificate from CEO and CFO of the Company, for the financial year ended December 31, 2012, forms part of the Annual Report.

8. DISCLOSURES

A. Related Party Transactions

The Company has not entered into any transaction of material nature with the promoters, the Directors or the management, their subsidiaries or relatives etc. that may have any potential conflict with the interests of the Company.

B. Disclosure of Compliances by the Company

During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities on matters related to capital markets.

C. Disclosure of Accounting Treatment

There have not been any significant changes in the accounting policies during the year.

D. Risk Management

The Board of Directors is apprised about Risk Management framework, methodology for categorization of risk and mitigation plans.

E. The Company has complied with all the mandatory requirements and has adopted non-mandatory requirements as per details given below:

(1) The Board

The Company maintains the Office of the Chairman at its Corporate Office at Plot No. 90, Sector 32, Gurgaon-122001 (Haryana) and also reimburses the expenses incurred in performance of his duties.

There is no fixed tenure for Independent Directors.

(2) Remuneration Committee

The Company has constituted Compensation Committee as detailed in 4(ii) hereinabove. As mentioned therein, the Committee comprises of Non-Executive Directors with the majority of Independent Directors. All the Independent Directors are eminent and qualified individuals having rich and varied experience. The Chairman of the Compensation Committee is an Independent Director and was present at the last Annual General Meeting.

(3) Shareholders Rights

The quarterly financial results are published in the newspapers as mentioned under the heading "Means of Communication" at Sl. No. 10 below herein and also displayed on the website of the Company. Press Releases on quarterly results are sent through email to the shareholders.

(4) Auditors' Report

With regard to the comments contained in the Auditors' Report, explanations are given below:

i) The accumulated losses of the Company at the end of the year are not less than fifty percent of its net worth.

The accumulated losses are primarily due to provision of Rs. 26,480 million created by the company in the year ended December 31, 2011 for settlement with the Department of Justice (DOJ) of the United States of America for resolution of potential civil and criminal allegations by the DOJ. (Note 8 of the Financial Statements)

ii) Short term funds used for long term purposes.

The Company has made a provision of Rs. 26,480 million in the previous accounting year for settlement with the DOJ. This has resulted into long-term funds being lower by Rs. 5,558.22 million compared to long-term assets as at 31 December 2012. Accordingly, short-term funds of Rs. 5,558.22 million have used for long-term purposes which is temporary in nature.

(5) Training of Board Members

Presentations on business segments, operations, key markets, strategy, regulatory frameworks, risk assessment & management are made to the Board of Directors from time to time. Further, Directors are updated about the major developments related to the Company. The Directors also visit important locations of the Company for understanding and review of the Company's operations.

(6) Mechanism for evaluating Non-Executive Board Members

The Company benefits from diverse professional expertise and experience of Non-Executive Directors. The Directors make contributions at the Board/Committee meetings, review of the operations and advise on the major issues and strategy of the Company from time to time. The Company also benefits from the advice of Non-Executive Directors sought by the management on critical issues from time to time. The contributions made and the time devoted by the Non-Executive Directors are recognized by the Company. The Board of Directors at its meeting held on January 20, 2013 constituted a Nomination Committee. The terms of reference of the Nomination Committee interalia include evaluation of performance of the Directors.

(7) Whistle Blower Policy

With an objective to further strengthen the process of conducting business in a fair, transparent and ethical manner, the Company has set up a mechanism of Whistle Blower Policy. This Policy is intended to govern reporting and investigation of allegations on violations of the Code of Conduct of the Company, for which a dedicated email id ombudsperson.whistleblower@ranbaxy.com has been established. Mr. Akihiro Watanabe, Chairman of the Audit Committee of the Company has been nominated by the Board as Ombudsperson for this purpose. No employee was denied access to the Audit Committee during the year.

9. CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

In December 2009, the Ministry of Corporate Affairs had issued the Guidelines on the voluntary adoption of Corporate Governance Practices. The Company has endeavored to adopt these Guidelines and follows the Guidelines such as separation of office of Chairman and Managing Director, taking certificate of independence from Independent Directors, constitution of Compensation Committee which determines remuneration policy, providing timely information to Board of Directors for quality decision making, identification of risks, review of internal controls, constitution and functioning of Audit Committee, adoption of Whistle Blower Policy and training to Directors. While some of these Guidelines like maximum tenure of independent directors, rotation of audit firm etc. have not yet become due, the Guidelines on remuneration to Non-Executive Directors and payment of sitting fees would require amendment to the Companies Act.

10. MEANS OF COMMUNICATION

(a) The Company regularly intimates unaudited as well as audited financial results to the Stock Exchanges immediately after these are taken on record by the Board. These financial results are normally published in the Business Standard/ Financial Express, the Punjabi Tribune and are displayed on the website of the Company www.ranbaxy.com. Further in compliance of Clause 52 of the Listing Agreement, the above information and other communication sent to Stock Exchanges have also been filed under Corporate Filing Dissemination System (CFDS) and are available at website, www.corpfiling.com.

In accordance with the Circulars issued by the Ministry of Corporate Affairs on the Green Initiatives and amendment in Clause 32 of the Listing Agreements with the Stock Exchanges, the Company sends Annual Reports and Notice of Annual General Meeting along with Proxy Form electronically/physically. Press Releases on quarterly results are sent through email to the shareholders.

The official news releases and the presentations made to the investors/analysts are also displayed on the Company's website.

(b) Management Discussion and Analysis Report forms part of the Report of the Directors.

11. SHAREHOLDER INFORMATION

Annual General Meeting

Date : May 7, 2013

Time : 11.00 A.M.

Venue : The National Institute of Pharmaceutical Education and Research (NIPER)
Sector-67, S.A.S. Nagar, (Mohali)- 160 062 (Punjab).

No Special resolution is proposed to be passed by Postal ballot at the aforesaid Annual General Meeting.

Financial Calendar

Adoption of Quarterly Results for the quarter ending	Tentative Schedule
- June 30, 2013	1st/2nd week of August, 2013
- September 30, 2013	3rd/4th week of October, 2013
- December 31, 2013	3rd/4th week of January, 2014
- March 31, 2014	1st/2nd week of May, 2014

Book Closure Dates

April 27, 2013 to May 7, 2013
(both days inclusive)

LISTING ON STOCK EXCHANGES

The Equity Shares of the Company as on December 31, 2012 were listed on the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. Global Depository Receipts (GDRs) are listed on the Stock Exchange at Luxembourg.

The Company confirms that it has paid annual listing fees due to the Stock Exchanges for the year 2012-2013.

STOCK CODE

1. The National Stock Exchange of India Ltd.	-	Ranbaxy
2. Bombay Stock Exchange Ltd.	-	359 (Physical) 500359 (Demat)

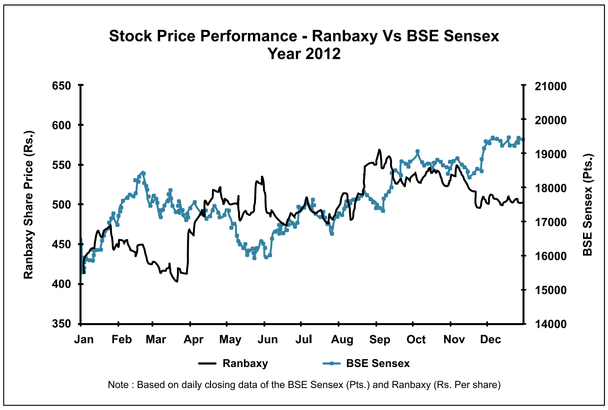
REGISTRAR AND TRANSFER AGENTS

M/s. Alankit Assignments Ltd. (Alankit), 2E/8, 1st Floor, Jhandewalan Extension, New Delhi-110 055 is the Registrar and Share Transfer Agent for physical shares of the Company. Alankit is also the depository interface of the Company with both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

However, keeping in view the convenience of shareholders, documents relating to shares will continue to be received by the Company at Corporate Office of the Company at Plot No. 90, Sector 32, Gurgaon-122001 (Haryana) Tel. No. 91-124-4135000, Registered Office at A- 41, Industrial Area Phase VIII-A, Sahibzada Ajit Singh Nagar, Mohali – 160 071 (Punjab) and Head Office at 12th Floor, Devika Tower, 6, Nehru Place, New Delhi-110019, Tel. No. 91-11-26237508; email address: secretarial@ranbaxy.com.

Market Price Data (Rs.)

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High	Low	High	Low
January 2012	478.00	402.20	479.00	402.10
February 2012	468.90	418.00	468.75	422.05
March 2012	473.00	395.20	474.00	395.00
April 2012	532.65	453.70	532.60	453.20
May 2012	542.15	471.05	542.35	470.00
June 2012	519.35	470.15	519.85	470.20
July 2012	514.50	473.00	514.90	473.00
August 2012	562.00	474.95	562.00	474.60
September 2012	578.30	517.00	578.40	517.00
October 2012	554.50	519.00	558.00	498.30
November 2012	559.80	490.10	559.95	490.00
December 2012	518.90	496.00	519.00	496.50



SHARE TRANSFER SYSTEM

With a view to expedite the process of share transfers, the Board of Directors of the Company has delegated the power of share transfer to some of the Directors with appropriate individual limits. The delegated Director(s) attend(s) to the share transfer formalities once in a fortnight. The shares for transfers received in physical form are transferred expeditiously, provided the documents are complete and the shares under transfer are not under any dispute. The share certificates duly endorsed are returned immediately to shareholders. Confirmation in respect of the requests for dematerialisation of shares is sent to the respective depositories i.e. NSDL and CDSL expeditiously.

DEMATERIALISATION OF SHARES

The shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both NSDL and CDSL. As on December 31, 2012, 417,380,286 equity shares of the Company, forming 98.69 % of the Share Capital of the Company, stand dematerialised.

International Securities Identification Number - INE015A01028
(with NSDL and CDSL)

Shareholding Pattern as on December 31, 2012

Category	No. of Shares held	Percentage of Shareholding (%)
Promoters-Daiichi Sankyo Company, Ltd., Japan	268,711,323	63.54
Mutual Funds & UTI	9,292,160	2.20
Insurance Companies	33,649,936	7.95
FIIs	45,024,503	10.65
Banks & Financial Institutions	994,099	0.24
Bodies Corporate	12,566,504	2.97
Public shareholding	43,712,170	10.33
GDRs	8,963,108	2.12
Grand Total	**422,913,803**	**100.00**

Distribution of Shareholding as on December 31, 2012

From To	No. of Shareholders		No. of Shares	
	Number	% Total	Number	% Total
1 - 1000	152,638	94.15	16,276,529	3.85
1001 - 2000	4,893	3.02	7,052,395	1.67
2001 - 4000	2,666	1.64	7,462,333	1.76
4001 - 6000	784	0.48	3,818,062	0.90
6001 - 8000	341	0.21	2,361,862	0.56
8001 - 10000	193	0.12	1,739,856	0.41
10001 - 20000	295	0.18	4,020,372	0.95
20001 & above	315	0.20	380,182,394	89.90
Total	**162,125**	**100.00**	**422,913,803**	**100.00**

Liquidity of Shares

The equity shares of the Company have been included in the Sensex of the leading Stock Exchanges.

Outstanding Stock Options

Number of Stock Options outstanding as on December 31, 2012 - 6,527,575*

* Options granted upto October 3, 2002 are entitled for additional shares on a proportionate basis in view of issue of bonus shares by the Company in the ratio of 3 for 5 in October 2002.

8,963,108 GDRs representing 8,963,108 equity shares of Rs.5 each constituting 2.12% of the issued, subscribed and paid-up share capital of the Company, were outstanding as on December 31, 2012.

Outstanding Unclaimed Shares

Pursuant to the provision of Clause 5A (II) of the Listing Agreements with the Stock Exchanges, the Company during previous year had sent three reminders to those shareholders whose shares were lying unclaimed in the physical form. Subsequently the Company on July 4, 2012 transferred 532,930 unclaimed shares of those shareholders to a special demat account titled "RANBAXY LABORATORIES LIMITED-UNCLAIMED SHARES SUSPENSE ACCOUNT" opened in terms of the said clause. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims these shares. The details of the shares in the said Suspense Account are as under:

Particulars	**No. of Share-holders**	**No. of equity shares of Rs.5/- each**
Aggregate number of shareholders and the outstanding shares transferred to the Unclaimed Suspense Account on July 4, 2012.	1170	5,32,930
Number of shareholders who approached the Company for transfer of shares from the said Unclaimed Suspense Account during the period from July 4, 2012 up to December 31, 2012.	5	1,602
Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the said period.	5	1,602
Aggregate number of Shareholders and the Outstanding shares lying in the Unclaimed Suspense Account as on December 31, 2012.	1165	5,31,328

Plant Locations of the Company

1. Village Toansa, P.O. Railmajra
   Distt. Nawansahar - 144533 (Punjab)
2. A-41, Industrial Area Phase VIII-A
   Sahibzada Ajit Singh Nagar
   Mohali – 160 071 (Punjab)
3. Industrial Area 3
   A.B. Road, Dewas-455 001, Madhya Pradesh
4. Village & P.O. Ganguwala
   Tehsil Paonta Sahib 173 025,
   Distt. Sirmour (Himachal Pradesh)
5. Village Batamandi
   Tehsil Paonta Sahib-173 025
   Distt. Sirmour, (Himachal Pradesh)
6. Plot No. 1341 & 1342 EPIP-1,
   Hill Top Industrial Area,
   Village-Bhatolikalan (Barotiwala)
   Baddi –174103, (Himachal Pradesh)
7. Plot No. B-2
   Madkaim Industrial Estate, Ponda, Goa
8. K-5, 6,7, Ghirongi Malanpur
   Dist. Bhind-477 116, (Madhya Pradesh)

Address for Correspondence

Shareholders are requested to contact –

Mr. S.K. Patawari
Company Secretary
Ranbaxy Laboratories Ltd.
Plot No. 90, Sector 32, Gurgaon-122001, Haryana.
Tel.No. 91-124-4185888, 4135000, Fax No.91-124-4106490
Email address: secretarial@ranbaxy.com

Certificate

To the Members of
Ranbaxy Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by Ranbaxy Laboratories Limited (the Company) for the year ended 31 December, 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No.: 089826

Place : Gurgaon
Dated : 26 February 2013

BUSINESS RESPONSIBILITY REPORT

Section A (General Information about the Company)

Ranbaxy Laboratories Limited (Ranbaxy/Company), India's largest pharmaceutical Company, is an integrated, research based, international pharmaceutical Company, producing a wide range of quality, affordable generic medicines, trusted by healthcare professionals and patients across geographies.

The Company is engaged in activities under NIC (National Industrial Classification) Codes given below:

- 2100 (Manufacture of pharmaceuticals, medicinal chemicals and botanical products)
- 4649 (Wholesale of pharmaceuticals and medicinal goods)

Ranbaxy has a presence in all the top 25 pharmaceutical markets of the world. The Company has a direct global footprint in 43 countries, world-class manufacturing facilities in 8 countries and serves customers in over 150 countries. The Company has 8 manufacturing locations in India. The major 5 international locations (by sales) are the U.S.A., Romania, South Africa, Russia and Canada. The top three molecules manufactured by Ranbaxy are Atorvastatin & Combinations, Amlodipine & Atorvastatin and Valacyclovir.

Contact Details:

Registered Address: A-41, Industrial Area Phase VIII-A, Sahibzada Ajit Singh Nagar, Mohali - 160 071 (Punjab), India

Website: www.ranbaxy.com

E-mail id: secretarial@ranbaxy.com

Financial year reported: January - December 2012

Section B (Financial Details of the Company)

1. Paid up Capital (INR): 2,114.57 Million
2. Total Turnover (INR): 61,124.43 Million
3. Total Profit/(Loss) after taxes (INR): (1,623.39) Million
4. Total amount spent on Corporate Social Responsibility (CSR) activities amounts to INR 42.65 Million.
5. List of activities in which expenditure in 4 above has been incurred:-

   Ranbaxy Community Healthcare Society (RCHS), Ranbaxy Sanjeevan Swasthya Seva, Maatra Shishu Swasthya Seva and Ranbaxy Science Foundation (RSF) are the main delivery vehicles for CSR initiatives of the Company.

   The various CSR activities undertaken are listed hereunder:

   a. **RCHS** conducts basic programmes based on an integrated approach of preventive, promotive and curative services spanning areas of maternal child health, family planning, reproductive health, adolescent health, health education including HIV/AIDS awareness.

   b. **Ranbaxy Sanjeevan Swasthya Seva**, a public private partnership between Ranbaxy and Government of Punjab focusing on primary healthcare and prevention and early detection of commonly found cancers.

   c. **Maatra Shishu Swasthya Seva**, a joint programme between Ranbaxy and Daiichi Sankyo with focus on reducing child mortality, improving maternal health and combating diseases such as HIV/AIDS, malaria and other diseases. The objective is to contribute towards the achievement of the UN Millennium Development Goals 4, 5 and 6 *(http://www.un.org/millenniumgoals/).*

   d. **RSF** promotes scientific endeavours in the country by encouraging, rewarding and channelling national and international knowledge and expertise on subjects connected with treatment of diseases afflicting mankind. To achieve these objectives, the RSF conducts Round Table Conferences on topics concerning public health and symposia on subjects at the cutting edge of research in medical sciences to explore the latest in the selected areas of specialty and its potential application for the benefit of mankind.

   RSF has also initiated awards for scientists to recognise original research work in the fields of Medical and Pharmaceutical Sciences. The Foundation also presents awards to brilliant and upcoming young researchers with the aim of discovering young talent in scientific research.

   e. Other contributions are made at various plant locations.

Section C (Other Details)

Ranbaxy is a global pharmaceutical Company having subsidiaries across the globe. The various sustainability initiatives undertaken are aligned to the Sustainable Development and CSR policy of the Company. Going forward, the Company plans to generate business responsibility awareness among its stakeholders.

Section D (Business Responsibility Information)

1. Details of Director/Directors responsible for BR

   (a) Details of the Director responsible for implementation of the BR policy

   i. DIN: 01929668

   ii. Name: Mr. Arun Sawhney

   iii. Designation: CEO & Managing Director

(b) Details of the BR head

S. No.	Particulars	Details
1.	DIN (if applicable)	–
2.	Name	Mr. T. L. Easwar
3.	Designation	Sr. Vice President – API Manufacturing & Projects
4.	Telephone Number	0172-6678601
5.	e-mail id	tl.easwar@ranbaxy.com

2. Principle-wise (as per NVGs) BR Policy/policies

S. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	Do you have a policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national/ international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	Y	Y	Y
		Ranbaxy's Sustainable Development and CSR Policy, including its governance, is based on the National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business as issued by Ministry of Corporate Affairs, Government of India, in July 2011.								
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
		The policy has been signed by the CEO & Managing Director								
5.	Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
		The Company has constituted a Sustainability Committee of the officials headed by the BR head.								
6.	Indicate the link for the policy to be viewed online?	**http://www.ranbaxy.com/csr-ehs/ranbaxy-consumer-healthcare-science/**								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Since the Company has recently formulated the Policy, the same would be communicated to all the relevant stakeholders in due course.								
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	The Company has recently embarked on putting together a Sustainable Development and CSR Policy and plans to evaluate its implementation.								

3. Governance related to BR

The Committee would meet once in every six months to review the progress against various Sustainability and CSR initiatives. The Board of Directors of the Company will be apprised from time to time of the progress so made.

The BR Report can be accessed through **http://www.ranbaxy.com/investor-relations/corporate-governance/**

Section E (Principle-wise performance)

As stated above, the Company has recently embarked on putting together a Sustainable Development and CSR Policy. Principle wise performance relating to implementation of Policy would be relevant from next year onwards.

Principle 1 (Ethics, transparency, accountability)

The Company's Sustainable Development and CSR Policy adequately addresses aspects related to ethics, bribery and corruption. In addition, the Company has a well-defined Code of Conduct (COC), a Whistle Blower Policy and a Pharmacovigilance Policy. The Policies and COC are applicable to all the operations of the Company. Company's stakeholders have no related concerns.

Principle 2 (Safe and sustainable goods and services)

In line with the Company's mission, "Enriching lives globally, with quality and affordable pharmaceuticals", Ranbaxy manufactures and markets its products with social considerations as well. The product/product range addressing global social concerns are:

i. Synriam™ is India's first new drug, a new age anti-malarial. Launched in India in April 2012, Synriam™ is emerging as an effective, well-tolerated, convenient and affordable treatment available today to the under-privileged sections of the Society.

ii. Generic Antiretroviral (ARV) drugs - Basket of high quality, affordable pharmaceuticals for the treatment of HIV/AIDS.

The Company received the Golden Peacock Award for Synriam™ in the Innovative Product/Service award category for the year 2012.

The key aspect under sustainable sourcing for the Company is the quality of raw materials purchased from its suppliers. The Company has in place a robust mechanism for vendor selection and vendor evaluation. The internal processes and procedures ensure adequate safety during transportation and optimisation of logistics, which in turn helps to mitigate climate change.

Sustainable Development and CSR Policy provides for encouraging the suppliers, transporters and downstream users to adopt good practices for safe handling and to minimise emissions during use and disposal of products and packages. Over 50% of the raw and packaging materials are locally sourced.

Principle 3 (Well-being of employees):

As on December 31, 2012, Ranbaxy had a total of 10,983 (including 723 women) permanent employees and 5,190 contractual employees.

As stated in the COC, Ranbaxy is an equal opportunity employer and does not discriminate on the grounds of race, religion, nationality, ethnic origin, colour, gender, age, citizenship, sexual orientation, veteran status, marital status or any disability not affecting the functional requirements of the position held. Hence, the Company does not record any information regarding employee disabilities.

Ranbaxy is a multi-location organisation. The Company has registered and recognized worker unions at its large manufacturing sites while other sites have well represented Works Committee to handle worker related issues. 20.7% of the permanent employees are a part of the recognised associations. The permanent and contractual employees at the Company's manufacturing sites, R&D and large offices are provided training on relevant Environment, Health and Safety aspects. The employees are also encouraged to undergo relevant training programmes to upgrade their skills.

There were no cases related to Child Labour/ Forced Labour/ Involuntary Labour, Sexual Harassment and Discriminatory Employment during the reporting period.

Principle 4 (Responsiveness to all stakeholders):

The Company has identified its key stakeholders and plans to initiate a formal process of stakeholder engagement. The Company, through its CSR vehicles, works towards the upliftment of under-privileged sections of the society.

The Company recognised that together with the challenges of drug resistance, poor health systems, lack of affordable, safe and convenient treatment options, malaria treatment represents one of the largest unmet medical needs in the developing countries. To cater to the needs of these patients, the Company has developed India's first new drug, Synriam™, for the treatment of uncomplicated malaria in adults. Synriam™ was launched in India in April 2012.

Ranbaxy also offers a wide range of WHO prequalified ARV products that are supplied in over 90 countries in Africa, Latin America, CIS and Asia. Close to a million patients worldwide use Ranbaxy's ARV products to treat HIV/AIDS. The Company is also responsible for making these drugs affordable in order to improve access.

Principle 5 (Promoting Human rights):

Ranbaxy is committed to respecting universal human rights worldwide. To that end, the Company practices and seeks to work with business associates who believe and promote these standards. The Company is committed to provide equal opportunities at all levels, safe and healthy workplaces and protecting human health and environment.

The Company provides opportunities to all its employees to improve their skills and capabilities. The Company's commitment extends to its neighbouring communities to improve their educational, cultural, economic and social well-being.

Principle 6 (Protecting the Environment):

Ranbaxy's Environment, Health and Safety (EHS) philosophy prescribes positive conservation efforts and initiatives in the sequential hierarchy - Elimination / Reduction / Reuse / Recycle. This philosophy has been infused into the EHS Management System that drives the resource conservation efforts and initiatives. All the major manufacturing sites in India have established a formal Environmental Management System (EMS), are ISO 14001:2004 certified and plans are in place for covering all manufacturing and R&D sites, in a phased manner. The EMS provides a platform for conducting environmental aspect-impact assessment, developing and executing mitigation plans.

The Company is committed to reducing its overall energy consumption through various energy-efficiency initiatives and making use of renewable energy, wherever possible. One such initiative includes using solar water heaters at a manufacturing site to pre-heat the boiler feed water delivering savings of approximately 565,000 MJ thermal energy which is equivalent to reduction of 43.7 MT of carbon footprint (CO_2 equivalent).

At the API sites, besides conventional biological treatment of the wastewater, it is also subjected to tertiary treatment through state-of-the-art membrane based technologies. The Company's initiatives in water management have resulted in making the key manufacturing sites as "zero liquid discharge sites".

The hazardous wastes are incinerated in the state-of-the-art incinerators that are designed to handle all types of solid, liquid and aqueous wastes, and at the same time maintain emission levels below the statutory requirements, especially related to dioxins and furans.

Resource conservation has been a priority sustainability focus area at Ranbaxy. The resource conservation efforts and initiatives are designed and practiced that result in achieving the end objective of sustainability and constantly reducing the environmental footprints. Many of the Ranbaxy's manufacturing sites as well as corporate office have adopted 'Rainwater Harvesting' initiative, thereby helping to recharge the groundwater strata.

All the steps listed above reflect the environmental performance beyond compliance and our commitment towards sustainability. All sites remained compliant with applicable environmental regulations in the reporting period.

Principle 7 (Responsible policy advocacy):

Ranbaxy has been an active member of many Trade bodies, Chambers and Associations, working on National and International issues focusing on Pharmaceutical Business, International Trade Policies, Healthcare, Sustainability, Corporate Citizenship and Skill Development.

Ranbaxy is a member of various Chambers and Industry Associations, namely:

i. Federation of Indian Chambers of Commerce and Industry (FICCI)
ii. Confederation of Indian Industry (CII)
iii. The Associated Chambers of Commerce and Industry (ASSOCHAM)
iv. PHD Chambers of Commerce & Industry (PHD CCI)
v. Indian Pharmaceutical Association (IPA)
vi. Organisation of Pharmaceutical Producers of India (OPPI)
vii. Pharmaceutical Export Promotion Council of India (PHARMAEXCIL)

Ranbaxy has advocated many issues for the improvement of public health. The Company always strives to make high quality pharmaceuticals affordable and accessible to the society. The key issues advocated by Ranbaxy over the years are as under:

i. Tariff & Non Tariff Barriers
ii. Research & Development
iii. Manufacturing
iv. Corporate Social Responsibility
v. Sustainability
vi. Generic Medicines Promotion
vii. Education & Skill Development
viii. Visa Policies
ix. Industry – Academia Partnership
x. Mutual Recognition of Degrees

Principle 8 (Supporting inclusive development)

An amount of Rs. 42.65 million was spent on community development and CSR activities during the year. CSR programmes are implemented through in-house teams, foundations, government structures as well as in partnership with NGOs. The details of the activities and projects undertaken have been covered above in Section B.

In line with the Company's mission, "Enriching lives globally, with quality and affordable pharmaceuticals", Ranbaxy manufactures products with inherent social considerations and undertakes CSR programmes with focus on reduction of Infant Mortality Rate (IMR), Maternal Mortality Ratio (MMR) and early detection of cancer.

The various initiatives have led to reduction in IMR and MMR; increased family planning awareness leading to reduction in Birth Rate (BR); increased level of awareness on issues like HIV/AIDS, Reproductive Tract Infections (RTIs)/Sexually Transmitted Infections (STIs), significance of prevention and early detection of cancer.

Principle 9 (Providing value to customer)

The Company's Sustainable Development and CSR policy provides for mentioning complete factual information about products through adequate labelling in conformance with applicable packaging and labelling standards and regulations. The implementation is ensured through adherence to established systems related to product labelling.

The Company has a well-defined system of addressing customer complaints whereby all complaints are accorded priority, appropriately addressed and resolved. There was an insignificant percentage of customer complaints / consumer cases keeping in view the operations of the Company. The Company's robust governance and commitment on fair trade practices, external communications and fair competition behaviour have proven to be strong with no concerns from stakeholders for the past five years.

During the reporting period, consumer surveys were carried out for two of the Company's OTC products.

Note: All the facts and figures reported above, unless stated otherwise, pertain to Ranbaxy India's operations.

CEO AND CFO CERTIFICATE

To the Board of Directors of Ranbaxy Laboratories Ltd.

We, Arun Sawhney, CEO & Managing Director and Indrajit Banerjee , President & CFO certify that:

(a) We have reviewed financial statements and the cash flow statement for the year ended December 31, 2012 and that to the best of our knowledge and belief :

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no significant transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the Auditors and the Audit Committee that -

(i) there have not been any significant changes in internal control over financial reporting during the year under reference;

(ii) there have not been any significant changes in accounting policies during the year requiring disclosure in the notes to the financial statements; and

(iii) there have not been any instances during the year of significant fraud of which we had become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Arun Sawhney
CEO & Managing Director

Indrajit Banerjee
President & CFO

Place : Gurgaon
Date : February 26, 2013

TEN YEARS AT A GLANCE

Rs. Millions

Result for the year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sales	35334.9	36143.4	35366.5	40587.1	41844.9	43083.6	45211.8	52514.9	74759.0	**61124.4**
Index	1.0	1.0	1.0	1.1	1.2	1.2	1.3	1.5	2.1	**1.7**
Exports	24674.6	24562.4	23371.1	27175.7	26411.2	28109.8	28377.5	34435.5	54996.5	**39092.9**
Index	1.0	1.0	0.9	1.1	1.1	1.1	1.2	1.4	2.2	**1.6**
Gross Profit	10061.4	7211.7	3178.8	6081.7	9865.6	(5713.3)	11002.7	17070.9	(22642.7)	**952.0**
Index	1.0	0.7	0.3	0.6	1.0	(0.6)	1.1	1.7	(2.3)	**0.1**
Profit before Tax	9563.7	6283.4	2013.6	4429.8	7744.1	(16190.8)	10619.2	15652.5	(30486.7)	**(1642.8)**
Index	1.0	0.7	0.2	0.5	0.8	(1.7)	1.1	1.6	(3.2)	**(0.2)**
Profit after Tax	7947.8	5284.7	2237.0	3805.4	6177.2	(10448.0)	5719.8	11487.3	(30520.5)	**(1623.4)**
Index	1.0	0.7	0.3	0.5	0.8	(1.3)	0.7	1.4	(3.8)	**(0.2)**
Equity Dividend	3156.3	3162.6	3166.7	3168.9	3171.5	–	–	842.1	0.7	**–**
Index	1.0	1.0	1.0	1.0	1.0	–	–	0.3	–	**–**
Equity Dividend (%)	170	170	170	170	170	–	–	40	–	**–**
Earning per share (Rs.)	42.61	28.26	5.68 ^	9.87 ^	11.31	(27.29)	10.74	23.75	(72.42)	**(3.85)**
Year-end Position										
Gross Block+	12470.6	16669.4	22321.6	24354.5	25889.0	28155.1	30358.4	31878.2	33166.9	**34183.9**
Index	1.0	1.3	1.8	2.0	2.1	2.3	2.4	2.6	2.7	**2.7**
Net Block+	8017.9	11417.4	16328.1	17359.1	17969.4	18854.4	20083.2	20423.0	20946.2	**21531.2**
Index	1.0	1.4	2.0	2.2	2.2	2.4	2.5	2.5	2.6	**2.7**
Net Current Assets	13302.9	9466.8	11281.0	12630.0	12588.2	8493.6	12210.7	35463.7	7529.5	**14476.1**
Index	1.0	0.7	0.8	0.9	0.9	0.6	0.9	2.7	0.6	**1.1**
Net Worth	23217.8	25095.1	23773.0	23500.1	25383.9	37167.7	41346.1	51323.9	19248.3	**19220.8**
Index	1.0	1.1	1.0	1.0	1.1	1.6	1.8	2.2	0.8	**0.8**
Share Capital	1855.4	1858.9	1862.2	1863.4	1865.4	2101.9	2102.1	2105.2	2110.0	**2114.6**
Reserve & Surplus	21362.3	23236.2	21910.8	21636.7	23518.6	35065.8	39244.0	49218.7	17138.3	**17106.2**
Book value per share (Rs.)	125.1	135.0	63.8 ^	63.1 ^	68.0	88.4	98.3	121.9	45.6	**45.4**
No. of Employees	6797	7195	7174	8020	8141	8536	9655	9933	10435	**10983**

Index : No. of times

\+ Includes Capital Work-in-Progress

^ After Share split

Sales are stated net of excise duty and discount from 2008 onwards

Sales are stated net of excise duty, discount and replacement of breakages from 2009

AUDITORS' REPORT

To the Members of
Ranbaxy Laboratories Limited

a) We have audited the attached Balance Sheet of Ranbaxy Laboratories Limited ('the Company') as at 31 December 2012, the Statement of Profit and Loss and the Cash Flow Statement (collectively referred to as 'financial statements') of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

b) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

c) As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

d) Further to our comments in the Annexure referred to above, we report that:

   (i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;

   (ii) in our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books;

   (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;

   (v) on the basis of written representations received from the directors of the Company as at 31 December 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 December 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

e) Without qualifying our opinion, we draw attention to note 37 of the financial statements, wherein it has been stated that on the basis of a legal advice, the Company is of the view that the appointment of and payment of remuneration to Mr. Arun Sawhney, CEO and Managing Director for the full year ended 31 December 2011 is in accordance with the conditions stipulated under Notification no. GSR 534(E) dated 14 July 2011 read with the clarification dated 16 August 2012 issued by the Ministry of Corporate Affairs.

f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31 December 2012;

   ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and

   iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For B S R & Co.
Chartered Accountants
Registration No. 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 26 February 2013

Annexure to the Auditors' Report
(Referred to in our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets through which all fixed assets are verified, in a phased manner, over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification as carried out under the above programme during the current year.

(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

(ii) (a) The inventories, except goods-in-transit, have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventories. As informed to us, the discrepancies observed on verification between the physical stocks and the book records were not material.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act').

(iv) In our opinion, and according to the information and explanations given to us, and having regard to the explanation that purchase of certain items of inventories and fixed assets are for the Company's specialised requirements, and similarly, certain goods sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets, and for the sale of goods and services. In our opinion, and according to the information and explanations given to us, we have not observed any major weakness during the course of audit.

(v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements, the particulars of which need to be entered into the register maintained under section 301 of the Act.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Act, in respect of its products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the records with a view to determine whether these are accurate or complete.

(ix) (a) According to the information and explanations given to us, and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other material statutory dues were in arrears as at 31 December 2012 for a period of more than six months from the date those became payable.

(b) According to the information and explanations given to us, there are no dues of Income Tax, Wealth Tax and Customs Duty which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of Excise Duty, Value Added Tax, Service Tax and Sales Tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of dues	Amount (Rs. in millions)	Periods to which the amount relates to	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty	18.97	2001-02, 2004 and 2005, 2007 and 2008, 2006 to 2011	Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Delhi
Central Excise Act, 1944	Excise Duty	1.95	2004 to 2007	CESTAT, Mumbai
Central Excise Act, 1944	Excise Duty	6.77	2005 to 2008	Commissioner (Appeals), Chandigarh
Bihar Value Added Tax Act, 2005	Value Added Tax	10.47	2005-06	Commercial Tax Authority, Patna

Name of the Statute	Nature of dues	Amount (Rs. in millions)	Periods to which the amount relates to	Forum where the dispute is pending
Madhya Pradesh Value Added Tax, 2010	Value Added Tax	0.14	2008-09	Additional Commissioner of Commercial Tax, Indore
Uttar Pradesh Sales Tax Act, 1948	Sales Tax	1.21	2008-09	Member Tribunal, Commercial Tax, Lucknow
The Odisha Entry Tax Act, 1999	Sales Tax	0.34	April 2005 to January 2007	Odisha Sales Tax Tribunal
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax	1.16	2004-05	Sales tax Appellate Tribunal
The Rajasthan Value Added Tax Act, 2003	Value Added Tax	0.45	2008-09	Deputy Commissioner Appeals Commercial Taxes, Jaipur
Delhi Value Added Tax Act, 2004	Value Added Tax	0.10	2007-08	Joint Commissioner Trade and Tax Department, Delhi
Madhya Pradesh Value Added Tax Act, 2002	Entry Tax	5.42	2009-10	Additional Commissioner, Indore
Madhya Pradesh Value Added Tax Act, 2002	Value Added Tax	0.31	2011	The Appellate Authority Madhya Pradesh Commercial Tax, Ujjain

(x) *The accumulated losses of the Company at the end of the year are not less than fifty percent of its net worth (without adjusting accumulated losses). As explained to us, these are primarily due to provision created for settlement with the Department of Justice (DOJ) of the United States of America for resolution of potential civil and criminal allegations by the DOJ (refer to note 8 of the financial statements).* The Company has not incurred cash losses in the current financial year *though it had incurred cash losses in the immediately preceding financial year.*

(xi) In our opinion, and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers, debenture holders and financial institutions.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund / society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has issued letters of comfort and given guarantees for loans taken from banks by subsidiaries and an associate company respectively, are not prejudicial to the interests of the Company.

(xvi) In our opinion and according to the information and explanations given to us, except for term loans lying unutilised as at year end, the term loans taken by the Company have been applied for the purpose for which these were raised.

(xvii) *According to the information and explanations given to us, the provision created for settlement with the DOJ amounting to Rs. 26,480 million (refer to note 8 of the financial statements) by the Company in the previous accounting year have resulted in long-term funds being lower by Rs. 5,558.22 million compared to long-term assets as at 31 December 2012. Accordingly, on an overall examination of the Balance Sheet of the Company as at 31 December 2012, it appears that short term funds of Rs. 5,558.22 million have been used for long-term purposes. As represented to us by the management, the shortfall is temporary in nature and action is being taken to have long term funds within a short period of the amount being actually paid.*

(xviii) The Company has not made any preferential allotment of shares during the year to parties and companies/ firms/ parties covered in the register maintained under section 301 of the Act.

(xix) According to the information and explanations given to us, the Company has created a security or charge in respect of debentures issued during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no significant fraud on or by the Company has been noticed or reported during the course of our audit.

For B S R & Co.
Chartered Accountants
Registration No. 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 26 February 2013

Balance Sheet as at 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Note	As at 31 December 2012	As at 31 December 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	**2,114.57**	2,110.00
Reserves and surplus	4	**17,095.10**	17,131.64
		19,209.67	19,241.64
Share application money pending allotment	5	**11.10**	6.66
Non-current liabilities			
Long-term borrowings	6	**19,568.10**	9,524.11
Other long-term liabilities	7	**10,363.48**	15,977.19
Long-term provisions	8	**2,739.04**	2,297.91
		32,670.62	27,799.21
Current liabilities			
Short-term borrowings	9	**28,067.95**	29,310.02
Trade payables	10	**8,588.11**	9,856.37
Other current liabilities	11	**13,320.78**	30,004.52
Short-term provisions	8	**27,831.11**	26,990.83
		77,807.95	96,161.74
TOTAL		**129,699.34**	143,209.25
ASSETS			
Non-current assets			
Fixed assets			
Tangible fixed assets	12	**19,308.43**	17,882.55
Intangible fixed assets	13	**626.85**	787.42
Capital work-in-progress		**1,465.37**	2,004.93
Intangible fixed assets under development		**130.59**	86.31
Non-current investments	14	**31,281.37**	34,081.47
Deferred tax assets (net)	15	**–**	–
Long-term loans and advances	16	**10,107.12**	9,412.34
Other non-current assets	17	**215.70**	0.86
		63,135.43	64,255.88
Current assets			
Current investments	18	**30.32**	26.46
Inventories	19	**17,318.39**	16,552.31
Trade receivables	20	**14,358.88**	36,828.19
Cash and bank balances	21	**28,347.73**	19,379.53
Short-term loans and advances	16	**5,041.48**	3,399.75
Other current assets	22	**1,467.11**	2,767.13
		66,563.91	78,953.37
TOTAL		**129,699.34**	143,209.25
Significant accounting policies	2		

The notes referred to above form an integral part of these financial statements

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No.: 089826

Place: Gurgaon
Date: 26 February 2013

For and on behalf of the Board of Directors of **Ranbaxy Laboratories Limited**

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place: Gurgaon
Date: 26 February 2013

Statement of Profit and Loss for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
INCOME			
Revenue from operations	23		
Sale of products (gross)		61,403.57	74,949.44
Less: Excise duty		279.14	190.48
Sale of products (net)		61,124.43	74,758.96
Other operating revenues		1,911.01	3,231.61
		63,035.44	77,990.57
Other income	24	2,571.63	2,226.55
Total revenue		65,607.07	80,217.12
EXPENSES			
Cost of materials consumed	25	15,286.61	17,849.13
Purchases of stock-in-trade	26	8,090.01	6,367.31
Change in inventories of finished goods, work-in-progress and stock-in-trade	27	(492.45)	(1,357.22)
Employee benefits expense	28	10,195.89	8,607.11
Finance costs	29	2,969.82	2,989.99
Depreciation and impairment	12	1,610.70	2,478.80
Amortisation	13	250.91	262.03
Other expenses	30	25,526.16	35,783.82
Total expenses		63,437.65	72,980.97
Profit before exceptional items and tax		2,169.42	7,236.15
Exceptional items:			
Settlement provision	8	–	26,480.00
Provision for other-than-temporary diminution in the value of non-current investment	14	1,030.00	–
Product recall	38	2,370.20	–
Loss on foreign currency option derivatives, net (other than on loans)		412.05	11,242.85
Loss before tax		(1,642.83)	(30,486.70)
Income tax expense			
Current tax	31	(19.44)	(33.07)
Deferred tax	31	–	66.86
Loss after tax for the year		(1,623.39)	(30,520.49)
Loss per equity share [par value of Rs. 5 (previous year Rs. 5) per equity share]	32		
Basic and diluted		(3.85)	(72.42)
Significant accounting policies	2		

The notes referred to above form an integral part of these financial statements

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No.: 089826

Place: Gurgaon
Date: 26 February 2013

For and on behalf of the Board of Directors of **Ranbaxy Laboratories Limited**

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place: Gurgaon
Date: 26 February 2013

Cash Flow Statement for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

		For the year ended 31 December 2012	For the year ended 31 December 2011
A.	**Cash flow from operating activities**		
	Net loss before taxes	**(1,642.83)**	(30,486.70)
	Adjustments for:		
	Depreciation and impairment	**1,610.70**	2,478.80
	Amortisation	**250.91**	262.03
	Fixed assets written off	**35.34**	22.98
	Employee stock option expense	**222.47**	78.32
	Provision for other-than-temporary diminution in the value of non-current investment	**1,030.00**	–
	Provision for diminution in value of current investments, net	**5.99**	13.23
	Finance costs	**2,969.82**	2,989.99
	Provision/ (reversal) / write-off of doubtful trade receivables and loans and advances	**45.54**	(29.47)
	Non-compete fee	**(210.00)**	(420.00)
	Foreign exchange (gain)/ loss, net (Refer to note 4 below)	**(1,557.93)**	288.79
	Unrealised foreign exchange (gain)/ loss on currency options	**(5,341.23)**	9,636.89
	Dividend on non-current investments with overseas subsidiaries	**(10.04)**	(11.83)
	Profit on sale of non-current investment	**(13.76)**	(0.23)
	Unclaimed balances/ excess provision written back	**(26.76)**	(91.85)
	Profit on sale of fixed assets, net	**(9.54)**	(74.36)
	Interest income	**(2,236.64)**	(898.61)
		(3,235.13)	14,244.68
	Operating cash flow before working capital changes	**(4,877.96)**	(16,242.02)
	Adjustments for:		
	Increase in inventories	**(766.08)**	(1,653.25)
	Decrease/ (increase) in trade receivables	**24,500.39**	(21,424.60)
	Decrease/ (increase) in loans and advances and other assets	**520.58**	(981.31)
	(Decrease)/ increase in trade payables and other liabilities	**(12,801.24)**	15,256.31
	Increase in provisions	**528.92**	26,622.19
		11,982.57	17,819.34
	Cash generated from operations before taxes	**7,104.61**	1,577.32
	Income taxes paid, net of refund	**(692.21)**	(293.48)
	Net cash provided by operating activities	**6,412.40**	1,283.84
B.	**Cash flow from investing activities**		
	Purchase of fixed assets	**(2,701.17)**	(3,310.16)
	Proceeds from sale of fixed assets	**74.27**	237.18
	(Increase)/ decrease in deposit accounts (having original maturity of more than three months)	**(16,038.18)**	15,047.21
	Proceeds from sale of investments	**–**	3,923.44
	(Increase)/ decrease in loans and advances to subsidiaries/ associate	**(34.48)**	13.72
	Interest received	**1,980.63**	1,728.19
	Dividend on non-current investments with overseas subsidiaries	**10.04**	11.83
	Net cash (used)/ provided by investing activities	**(16,708.89)**	17,651.41
C.	**Cash flow from financing activities**		
	Proceeds from issue of equity share capital (including securities premium)	**159.33**	147.98
	Proceeds from issue of commercial papers	**3,879.93**	8,355.01
	Re-payment of commercial papers	**(9,800.00)**	–
	Increase in other short-term bank borrowings (net)	**3,270.37**	3,835.78
	Proceeds from long-term bank borrowings	**5,196.38**	4,023.41
	Re-payment of long-term borrowings (Refer to note 5 below)	**(3,241.67)**	(27,506.56)
	Long-term borrowings from redeemable non-convertible debentures	**5,000.00**	–
	Finance costs paid	**(1,318.84)**	(627.56)
	Dividend paid	**–**	(842.73)
	Tax on dividend	**–**	(136.71)
	Net cash provided/ (used) by financing activities	**3,145.50**	(12,751.38)
	(Decrease)/ increase in cash and cash equivalents	**(7,150.99)**	6,183.87
	Cash and cash equivalents at the beginning of the year	**7,811.93**	1,618.31
	Effect of exchange gain on cash and cash equivalents held in foreign currency	**4.77**	9.75
	Cash and cash equivalents at the end of the year	**665.71**	7,811.93

Notes to Cash Flow Statement:

1. Components of cash and cash equivalents (Refer to note 21):

	31 December 2012	31 December 2011
Cash on hand	**3.95**	5.95
Cheques on hand	**–**	21.15
Remittances in transit	**23.10**	86.96
With banks in:		
Current accounts	**88.66**	502.95
Deposit accounts	**550.00**	7,194.92
Cash and cash equivalents at the end of the year	**665.71**	7,811.93
Add: other bank balances		
Unclaimed dividend	**39.90**	51.97
Fixed deposits with original maturity of more than three months but remaining maturity of less than twelve months	**27,642.12**	11,515.63
Cash and bank balances at the end of the year	**28,347.73**	19,379.53

2. The Cash Flow Statement has been prepared in accordance with the 'Indirect Method' specified in Accounting Standard 3, Cash Flow Statement, notified by Central Government in the Companies (Accounting Standard) Rules, 2006.
3. Refer to note 21 for cash and cash equivalents balances held by the Company that are not freely remissible to the Company on account of statutory regulations.
4. Foreign exchange loss/ (gain), net includes realised loss/ (gain) on items in investing and financing activities.
5. Include premium paid on redemption of zero coupon foreign currency convertible bonds (FCCBs) and taking into account impact of related derivative instruments/forward contracts.

As per our report of even date attached

For and on behalf of the Board of Directors of **Ranbaxy Laboratories Limited**

For **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Vikram Aggarwal
Partner
Membership No.: 089826

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place: Gurgaon
Date: 26 February 2013

Place: Gurgaon
Date: 26 February 2013

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

1. Company overview

Ranbaxy Laboratories Limited ('the Company') together with its subsidiaries and an associate, operates as an integrated international pharmaceutical organisation with businesses encompassing the entire value chain in the marketing, production and distribution of pharmaceutical products.

The Company's shares are listed for trading on the National Stock Exchange and the Bombay Stock Exchange in India. Its Global Depository Shares (representing equity shares of the Company) are listed on the Luxembourg Stock Exchange. During the current year, the Company has issued redeemable non-convertible debentures which are listed for trading on the National Stock Exchange in India.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

a. Basis of preparation of financial statements

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, the relevant provisions of the Companies Act, 1956, pronouncements of the Institute of Chartered Accountants of India, guidelines issued by the Securities and Exchange Board of India (SEBI) and other accounting principles generally accepted in India, to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest million.

This is the first year of application of the revised Schedule VI to the Companies Act, 1956 for the preparation of the financial statements of the Company. The revised Schedule VI introduces some significant conceptual changes as well as new disclosures. These include classification of all assets and liabilities into current and non-current. The previous year figures have also undergone significant reclassification to comply with the requirements of the revised Schedule VI.

b. Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities on the date of the financial statements. Examples of such estimates include transfer pricing related adjustments, provision against litigations, provisions of future obligation under employee benefit plans, useful lives of fixed assets, provision for sales return, provision for customer claims, provision for expiry of drugs and impairment of assets. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Current-non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets

An asset is classified as current when it satisfies any of the following criteria:

a. it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b. it is held primarily for the purpose of being traded;
c. it is expected to be realised within 12 months after the reporting date; or
d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

a. it is expected to be settled in the Company's normal operating cycle;
b. it is held primarily for the purpose of being traded;
c. it is due to be settled within 12 months after the reporting date; or
d. the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

   Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

d. Fixed assets

Tangible fixed assets and depreciation

Tangible fixed assets are stated at the cost of acquisition or construction, less accumulated depreciation and impairment losses, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any attributable costs of bringing the asset to its working condition for its intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid towards acquisition of tangible fixed assets outstanding at each Balance Sheet date, are shown under long-term loans and advances and cost of assets not ready for intended use before the year end, are shown as capital work-in-progress.

Subsequent expenditure related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Depreciation on tangible fixed assets, except leasehold improvements (included in furniture and fixture), is provided on a pro-rata basis, using the straight-line method and at the rates specified in Schedule – XIV to the Companies Act, 1956. Leasehold improvements (included in furniture and fixture) are depreciated over their estimated useful life, or the remaining period of lease from the date of capitalization, whichever is shorter. While in the opinion of the management, these rates are currently reflective of the estimated useful lives of the fixed assets, however in the context of the proposed implementation of Companies Bill, 2012 (not yet effective since awaiting legislative approval) which indicates useful lives different from currently being used for certain categories of tangible fixed assets, and also considering the technological changes, a comprehensive exercise for review of useful lives has been taken up. Consequential adjustment, if any, will be recognized on prospective basis upon completion of the exercise.

Depreciation on additions is provided on a pro-rata basis from the date of acquisition/ installation. Depreciation on sale/ deduction from tangible fixed assets is provided for upto the date of sale/ adjustment, as the case may be. Modification or extension to an existing asset, which is of capital nature and which becomes an integral part thereof is depreciated prospectively over the remaining useful life of that asset.

A tangible fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal. Assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value and are shown under 'Other current assets'.

Losses arising from retirement or gains or losses arising from disposal of tangible fixed assets which are carried at cost are recognized in the Statement of Profit and Loss.

Assets costing individually Rs. 5,000 (in absolute amount) or less are fully depreciated in the year of purchase.

Intangible fixed assets and amortisation

Intangible fixed assets comprise brands, trademarks and computer software are stated at cost less accumulated amortization and impairment losses, if any. The cost of an item of intangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any attributable costs of bringing the asset to its working condition for its intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid towards acquisition of intangible fixed assets outstanding at each Balance Sheet date, are shown under long-term loans and advances and cost of assets not ready for intended use before the year end, are shown as intangible fixed assets under development.

Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Intangible assets are amortised in the Statement of Profit and Loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Accordingly, at present, these are being amortised on straight line basis.

The amortisation rates for Brands and trade marks and Computer software are 20% and 16.67% per annum respectively.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

e. Impairment of assets

Fixed assets are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists and for intangible assets mandatorily tested annually for impairment, the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (Cash Generating Unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses are recognised in the Statement of Profit and Loss.

f. Revenue recognition

Revenue from sale of goods in the course of ordinary activities is recognised when the property in the goods, or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods as well as regarding its collection. Revenue includes excise duty and is net of sales tax, value added tax and applicable discounts and allowances. Allowances for sales returns are estimated and provided for in the year of sales.

Income from royalty, milestone payments, technical know-how arrangements, exclusivity and patents settlement and licensing arrangements is recognised on an accrual basis in accordance with the terms of the relevant agreement. Any non-compete fee is recognised over the term of the agreement on a straight line basis.

Export incentive entitlements are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made, and where there is no uncertainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recognised as income in the period in which the investment is sold/ disposed off.

Dividend income is recognised when the right to receive the income is established. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable. Discount or premium on debt securities held is accrued over the period to maturity.

g. Investments

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments which is expected to be realised within 12 months after the reporting date is presented under 'current assets' in consonance with the current/ non-current classification scheme of revised Schedule VI.

Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments i.e., equity shares, preference shares etc.

Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss. Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

h. Inventories

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade, stores and spares, and loose tools are carried at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Work in progress also includes Active pharmaceutical ingredients ('API') and Drug intermediates lying at plants for captive consumption.

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Excise duty liability is included in the valuation of closing inventory of finished goods.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products. Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value. The comparison of cost and net realisable value is made on an item-by-item basis.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

i. Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash balance with bank, and highly liquid investments with original maturities, at the date of purchase/ investment, of three months or less.

j. Research and development costs

Revenue expenditure on research and development is expensed off under the respective heads of account in the year in which it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably measured, the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and to use and sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Statement of Profit and Loss as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Fixed assets used for research and development are depreciated in accordance with the Company's policy as stated above.

Materials identified for use in research and development process are carried as inventories and charged to the Statement of Profit and Loss on issuance of such materials for research and development activities.

k. Employee stock option based compensation

The Company follows Securities and Exchange Board of India (SEBI) guidelines for accounting of employee stock options. The cost is calculated based on the intrinsic value method i.e. the excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of such options is regarded as employee compensation and in respect of the number of options that are expected to ultimately vest, such cost is recognised on a straight line basis over the period over which the employees would become unconditionally entitled to apply for the shares. The cost recognised at any date at least equals the intrinsic value of the vested portion of the option at that date. Adjustment, if any, for difference in initial estimate for number of options that are expected to ultimately vest and related actual experience is recognised in the Statement of Profit and Loss of that period. In respect of vested options expire unexercised, the cost is reversed in the Statement of Profit and Loss of that period.

l. Foreign currency transaction, derivatives and hedging

Transactions in foreign currency are recorded at the exchange rate prevailing at the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at year end rates. The resultant exchange differences are recognised in the Statement of Profit and Loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Representative offices located outside India are classified as integral foreign operation as those carry on their operations as if they were an extension of Company's operation. The financial statements of an integral foreign operation are translated into Indian rupees as if the transactions of the foreign operation were those of Company itself. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at year end rates. The resultant exchange differences are recognised in the Statement of Profit and Loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

The Company uses various forms of derivative instruments such as foreign exchange forward contracts, options, currency swaps, currency cum interest rate swaps and interest rate swaps to hedge its exposure on account of movements in foreign exchange and interest rates. These derivatives are generally entered with banks and not used for trading or speculation purposes. These derivative instruments are accounted as follows:

- For forward contracts (including instruments which are in substance forward contracts) which are entered into to hedge the foreign currency risk of the underlying existing assets on the date of entering into that forward contract, the premium or discount on such contracts is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as an income or expense for the period in the Statement of Profit and Loss. The exchange difference on such a forward exchange contract is calculated as the difference between:

  a) the foreign currency amount of the contract translated at the exchange rate at the Balance Sheet date, or the settlement date where the transaction is settled during the reporting period; and

  b) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

- Other derivatives such as forward contracts to hedge highly probable forecasted transactions, option contracts, currency swaps, currency cum interest rate swap and interest rate swaps etc which are outside the scope of Accounting standard (AS) 11, The Effects of Changes in foreign exchange rates, are fair valued at each Balance Sheet date. The resultant gain or loss (except relating to the effective portion of cash flow hedges) from these transactions are recognised in the Statement of Profit and Loss. The gain or loss on effective portion of cash flow hedges is recorded in the Hedging Reserve (reported under the head "Reserves and Surplus") which is transferred to the Statement of Profit and Loss in the same period in which the hedged item affects the Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in hedging reserve is reclassified in the Statement of Profit and Loss. To designate a derivative instrument as an effective cash flow hedge, the management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract and throughout the period of hedge relationship whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. The gain or loss on ineffective portion of cash flow hedge is recognised in the Statement of Profit and Loss.

m. Employee benefits

Short-term employee benefits

All employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards superannuation fund scheme and employee state insurance scheme ('ESI') which are defined contribution plans. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

Defined benefit plans

Defined benefit plans of the Company comprise gratuity, provident fund and pension plans.

<u>Gratuity:</u>

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. The Company makes annual contributions to gratuity fund established as a trust. In respect of gratuity, the Company fully contributes all ascertained liabilities in the respective employee trusts. Trustees administer contributions made to the Trusts and contributions are invested in specific instruments, as permitted by the law.

<u>Provident fund</u>

In respect of employees, the Company makes specified monthly contribution towards the employees' provident fund to the provident fund trust administered by the Company. The minimum interest payable by the provident fund trust to the beneficiaries every year is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on respective investments of the trust and the notified interest rate.

<u>Pension</u>

The Company has an obligation towards pension, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs after completion of a specified number of years of service with the Company.

<u>Actuarial valuation</u>

The contributions made to provident fund trust are charged to the Statement of Profit and Loss as and when these become payable. In addition, the Company recognizes liability for shortfall in the plan assets vis-à-vis the fund obligation, if any. The Guidance on implementing AS 15, Employee Benefits (revised 2005) issued by Accounting Standard Board states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans. During the previous year, the guidance note has been issued by the Actuarial Society of India. Pursuant to the same, liability in respect of provident fund schemes (as a defined benefit plan) has been determined on the basis of actuarial valuation.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

The liability in respect of all defined benefit plans is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognizes each year of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Past service cost

Past service cost is recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately in the Statement of Profit and Loss. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Other long term employee benefits

Compensated absences

As per the Company's policy, eligible leaves can be accumulated by the employees and carried forward to future periods to either be utilised during the service, or encashed. Encashment can be made during service, on early retirement, on withdrawal of scheme, at resignation and upon death of the employee. The value of benefits is determined based on the seniority and the employee's salary.

Long service award

As per the Company's policy, employees of the Company are eligible for an award after completion of a specified number of years of service with the Company.

Actuarial valuation

The Company records an obligation for such compensated absences and long service award in the period in which the employee renders the services that increase the entitlements. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Termination benefits

Termination benefits are recognised as an expense when, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

n. Income taxes

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the Statement of Profit and Loss except that tax expense related to items recognised directly in reserves is also recognised in those reserves.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised. Deferred tax consequences of timing differences that originate in the tax holiday period and reverse after the tax holiday period are recognised in the period in which the timing differences originate. Timing differences that originate and reverse with in the tax holiday period are not considered for deferred tax purposes.

Minimum Alternate Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

o. Provisions

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. Provisions are measured on an undiscounted basis.

Sales return

The Company as a trade practice accepts returns from market which are primarily in the nature of expired or near expiry products. Provisions for such returns are estimated on the basis of historical experience, market conditions and specific contractual terms and are provided for.

Onerous contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Contingencies

Provisions in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

p. Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not a probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

q. Operating leases

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the lease term.

Assets given by the Company under operating lease are included in fixed assets. Lease income from operating leases is recognised in the Statement of Profit and Loss on a straight line basis over the lease term. Costs, including depreciation, incurred in earning the lease income are recognised as expenses.

r. Earnings per share

Basic earnings/ (loss) per share are calculated by dividing the net profit/ (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue and share split. For the purpose of calculating diluted earnings/ (loss) per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

	As at 31 December 2012	As at 31 December 2011
3. Share capital		
Authorised		
598,000,000 (previous year 598,000,000) equity shares of Rs. 5 each	**2,990.00**	2,990.00
100,000 (previous year 100,000) cumulative preference shares of Rs. 100 each	**10.00**	10.00
	3,000.00	3,000.00
Issued, subscribed and paid-up		
422,913,803 (previous year 421,999,724) equity shares of Rs. 5 each fully paid	**2,114.57**	2,110.00
	2,114.57	2,110.00

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

a. Rights, preferences and restrictions attached to shares

As per the Memorandum of Association, the Company's authorised share capital consists of equity shares and preference shares. Preference shares shall be entitled for such rate of dividend as may be decided by the Directors of the Company at the time of issue of such shares and shall rank in priority to the equity shares including arrears, if any, in the event of the winding up of the Company, but shall not be entitled to any further participation in the profits or surplus assets of the Company. Preference shares are entitled to one vote per share at meetings of the Company only in respect of resolutions directly affecting their rights. However, a cumulative preference shareholder acquires voting rights on par with an equity shareholder if the dividend on preference shares has remained unpaid for a period of not less than two years.

All equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on show of hand or through proxy shall be in proportion to his share of the paid-up equity capital of the Company. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

b. Reconciliation of equity shares outstanding at the commencement and at the end of the year

	As at 31 December 2012		As at 31 December 2011	
	Number of equity shares	Amount	Number of equity shares	Amount
At the commencement of the year	**421,999,724**	**2,110.00**	421,040,693	2,105.20
Add: Shares issued on exercise of employee stock options by the Company	**474,079**	**2.37**	634,031	3.17
Add: Shares issued to the Trust under ESOP - 2011 (Refer to para (f) below)	**440,000**	**2.20**	325,000	1.63
At the end of the year	**422,913,803**	**2,114.57**	421,999,724	2,110.00

c. Equity shares held by holding/ ultimate holding company

	As at 31 December 2012		As at 31 December 2011	
	Number of equity shares	Amount	Number of equity shares	Amount
Daiichi Sankyo Company Limited, Japan (Daiichi Sankyo), the holding company, also being the ultimate holding company	**268,711,323**	**1,343.56**	268,711,323	1,343.56

d. Particulars of shareholders holding more than 5% shares of issued, subscribed and paid-up capital of equity shares

	As at 31 December 2012		As at 31 December 2011	
	Number of equity shares	% Holding	Number of equity shares	% Holding
Daiichi Sankyo	**268,711,323**	**63.54**	268,711,323	63.68
Life Insurance Corporation of India, India	**26,726,570**	**6.32**	29,988,313	7.11

e. Equity shares reserved for issue under employee stock options:

Refer to note 34 for number of stock options against which equity shares to be issued by the Company upon vesting and exercise of those stock options by the option holders as per the relevant scheme.

f. During the year ended 31 December 2012, the Company has issued 440,000 (previous year 325,000) equity shares of Rs. 5 (previous year Rs. 5) each issued for cash at par to Ranbaxy ESOP Trust (Trust), set up to administer Employees Stock Option Plan (ESOP - 2011). Out of the total equity shares issued to the Trust, 238,762 equity shares (previous year Nil equity shares) have been allocated by the Trust to the respective employees upon exercise of stock options from time to time under ESOP - 2011. As at 31 December 2012, 526,238 equity shares (previous year 325,000 equity shares) are pending to be allocated to the employees upon exercise of stock options (For ESOP - 2011 details, refer to note 34).

g. During the five years period ended 31 December 2012 and 31 December 2011, neither any bonus shares or shares issued for consideration other than cash that have been issued nor any shares that have been bought back.

h. Issued, subscribed and paid-up share capital include 8,963,108 (previous year 7,460,842) Global Depository Shares (GDSs) representing 8,963,108 (previous year 7,460,842) equity shares of Rs. 5 (previous year Rs. 5) each constituting 2.12% (previous year 1.77%) of the issued, subscribed and paid-up share capital of the Company.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
4. Reserves and surplus		
(a) Capital reserve		
At the commencement and at the end of the year	**1,762.00**	1,762.00
(b) Amalgamation reserve		
At the commencement and at the end of the year	**43.75**	43.75
(c) Securities premium account		
At the commencement of the year	**34,732.51**	34,818.69
Add: Received during the year	**150.32**	204.10
Add: Transferred from employees stock option outstanding account on exercise of employee stock options	**132.01**	7.06
	35,014.84	35,029.85
Less: Premium payable on redemption of FCCBs	**–**	297.34
At the end of the year	**35,014.84**	34,732.51
(d) Hedging reserve (net of tax) *		
At the commencement of the year	**(1,353.80)**	134.41
Reversal/ (addition) during the year #	**1,214.06**	(1,488.21)
At the end of the year	**(139.74)**	(1,353.80)
* Refer to note 36		
# Net of loss/ (gain) taken to the Statement of Profit and Loss	**1,210.45**	(142.67)
(e) Employees stock options outstanding account		
At the commencement of the year	**445.43**	45.95
Add: Options granted during the year	**374.07**	430.48
Less: Options forfeited during the year	**51.30**	19.79
Less: Options lapsed during the year	**12.43**	4.15
Less: Options exercised during the year	**132.01**	7.06
At the end of the year (i)	**623.76**	445.43
Deferred employee stock option expense		
At the commencement of the year	**328.22**	–
Add: Options granted during the year	**374.07**	430.48
Less: Amortisation and other movements during the year ##	**286.20**	102.26
At the end of the year (ii)	**416.09**	328.22
(i)-(ii)	**207.67**	117.21
## Employee stock option expense net off impact of options forfeited and lapsed during the year (Refer to note 28)	**222.47**	78.32
(f) General reserve		
At the commencement and at the end of the year	**5,519.28**	5,519.28
(g) (Deficit)/ surplus (Profit and Loss balance)		
At the commencement of the year	**(23,689.31)**	6,828.68
Loss after tax for the year	**(1,623.39)**	(30,520.49)
Less: Appropriations		
Equity dividend - Rs. Nil (previous year Rs. 2 per share) **	**–**	0.65
Reversal of tax on equity dividend **	**–**	(3.15)
At the end of the year	**(25,312.70)**	(23,689.31)
Total reserves and surplus	**17,095.10**	17,131.64

** Represent impact on dividend for the year ended 31 December 2010 on account of shares allotted between 1 January 2011 till the record date (prior to Annual General Meeting) and change in applicable corporate dividend tax rate.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
5. Share application money pending allotment	**11.10**	6.66
	11.10	6.66

Share application money pending allotment represents amounts received from employees exercising the vested stock options as per the terms and conditions of respective employee stock option scheme as mentioned in note 34. Equity shares are to be issued with rights, preferences and restrictions as given in note 3a.

Other information is as follows:

	As at 31 December 2012	As at 31 December 2011
a. Number of shares to be issued	**34,810**	20,182
b. Amount of premium	**10.92**	6.56
c. The period before which shares are to be allotted	In the next meeting of ESOP's allotment committee (held on 11 January 2013)	In the next meeting of ESOP's allotment committee (held on 13 January 2012)

d. The Company has sufficient authorised share capital to cover the share capital amount on allotment of shares out of share application money.

e. The Company has no share application money pending beyond the period for allotment and hence no interest is accrued.

	Non–current portion		Current portion	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
6. Long-term borrowings				
Debentures				
Secured				
5,000 (previous year Nil) redeemable non-convertible debentures of the face value of Rs. 1,000,000 each ** ^	**5,000.00**	–	**–**	–
Term loans				
Unsecured				
From banks				
External commercial borrowings (ECBs) @ ^	**12,046.10**	9,496.61	**456.66**	4,495.69
Other $ ^	**2,500.00**	–	**–**	–
From other party # ^	**22.00**	27.50	**5.50**	5.50
	19,568.10	9,524.11	**462.16** *	4,501.19 *

* Amount disclosed under the head "Other current liabilities" (Refer to note 11).

** On 23 November 2012, the Company had issued redeemable non-convertible debentures for a period of 36 months at a coupon rate of 9.20% p.a. Such debentures are secured by a pari-passu first ranking charge on the Company's fixed assets so as to provide a fixed asset cover 1.25x and are listed on the National Stock Exchange.

@ ECBs include loan taken for YEN Nil equivalent to Rs. Nil (previous year for YEN 5.9 billion equivalent to Rs. 4,052.12) which carries interest at applicable LIBOR plus margin (38 basis points for YEN 3 billion and 55 basis points for YEN 2.9 billion). Loan of YEN 2.9 billion was taken on 30 March 2007 and has been repaid on 29 March 2012. Further, loan of YEN 3 billion was taken on 1 August 2007 and has been repaid on 31 July 2012.

Further, ECBs also include 7 loans for USD 228.34 equivalent to Rs. 12,502.76 (previous year 6 loans for USD 186.67 equivalent to Rs. 9,940.18). For the loans outstanding at the Balance Sheet date, terms of repayment, rate of interest for USD borrowings are as follows :

(i) USD 50 million equivalent to Rs. 2,737.75 (previous year USD Nil equivalent Rs. Nil), which carries interest at applicable LIBOR plus margin (100 basis points). The loan was taken on 20 September 2012 and is repayable on 19 September 2017.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

(ii) USD 30 million equivalent to Rs. 1,642.65 (previous year USD 30 million equivalent Rs. 1,597.50), which carries interest at applicable LIBOR plus margin (200 basis points). The loan was taken on 30 June 2011 and is repayable on 29 June 2017.

(iii) USD 30 million equivalent to Rs. 1,642.65 (previous year USD 30 million equivalent to Rs. 1,597.50), which carries interest at applicable BBA 6 months LIBOR plus margin (100 basis points). The said loan was taken on 9 September 2010 and is repayable on 8 September 2015.

(iv) USD 50 million equivalent to Rs. 2,737.75 (previous year USD 50 million equivalent to Rs. 2,662.50), which carries interest at applicable USD/ Japanese YEN LIBOR plus margin (150 basis points). It was taken on 12 August 2010 and is repayable on 11 August 2015.

(v) USD 40 million equivalent to Rs. 2,190.20 (previous year USD 40 million equivalent to Rs. 2,130), which carries interest at applicable 6 months LIBOR plus margin (175 basis points). The loan was taken on 25 March 2011 and is repayable fully by 24 March 2017 in 3 installments viz; 30% of the drawn amount at the end of 4th year and 5th year each and 40% of the drawn amount at the end of the 6th year.

(vi) USD 20 million equivalent to Rs. 1,095.10 (previous year USD 20 million equivalent Rs. 1,065), which carries interest at applicable LIBOR plus margin (195 basis points). It was taken on 10 June 2011 and is repayable on 9 June 2014.

(vii) USD 8.34 million equivalent to Rs. 456.66 (previous year USD 16.67 million equivalent to Rs. 887.68), which carries interest at applicable LIBOR plus margin (53 basis points). It was taken on 30 April 2007 and is repayable in 3 equal annual installments commencing 29 April 2011.

$ The Company has taken a loan of Rs. 2,500 (previous year Rs. Nil) which carries interest at applicable bank base rate plus margin (60 basis point). The loan was taken on 3 October 2012 and is repayable on 2 October 2015.

Represents term loan taken for research and development from Department of Science and Technology taken on 31 May 2007 which carries interest of 3% per annum and is repayable in 10 annual installments of Rs. 5.50 each along with interest.

^ The Company has not defaulted on repayment of loan and interest during the year.

	As at 31 December 2012	As at 31 December 2011
7. Other long-term liabilities		
Security deposits received	**65.86**	123.69
Payable towards unrealised loss on derivative instruments/ forward contracts	**10,297.62**	15,853.50
	10,363.48	15,977.19

	Long–term		Short–term	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
8. Provisions				
Provision for employee benefit				
Gratuity ##	**–**	–	**45.81**	3.37
Compensated absences ##	**388.38**	294.09	**101.74**	116.43
Pension	**2,289.10**	1,950.14	**174.46**	118.52
Long service award	**61.56**	53.68	**16.23**	15.29
Other provisions				
Provision for sales return @@	**–**	–	**115.37**	112.22
Settlement provision $$	**–**	–	**27,377.50**	26,625.00
	2,739.04	2,297.91	**27,831.11**	26,990.83

Refer to note 35.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

Additional disclosures relating to certain provisions (as per AS 29 - Provisions, Contingent Liabilities and Contingent Assets)

	Premium payable on redemption of FCCBs		Settlement provision		Sales return	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
At the commencement of the year	**–**	5,648.12	**26,625.00**	–	**112.22**	105.03
Add: Provision made during the year	**–**	297.34	**–**	26,480.00	**115.37**	112.22
Less: Provision utilised during the year	**–**	5,945.46	**–**	–	**112.22**	105.03
Add: Exchange loss on re-statement	**–**	–	**752.50**	145.00	**–**	–
At the end of the year	**–**	–	**27,377.50**	26,625.00	**115.37**	112.22

@@ A provision is estimated for expected sales return in sale of products made during the year on the basis of past experience and contractual obligation with the customer. It is expected that the entire sale return will happen over the next twelve months.

$$ The Company is negotiating towards a settlement with the Department of Justice ("DOJ") of the USA for resolution of potential civil and criminal allegations by DOJ. Accordingly, the Company had recorded a provision of Rs 26,480 (USD 500 Million) in the year ended 31 December 2011, which on a consideration of the progress in the matter so far, the Company believes will be sufficient to resolve all potential civil and criminal liability. The Company and its subsidiaries are in the process of negotiations which will conclusively pave the way for a Comprehensive DOJ Settlement. The settlement of this liability is expected to be made by the Company in compliance with the terms of settlement, once concluded and subject to other regulatory/statutory provisions.

Any gain/ loss on account of changes in exchange rate and related interest expense is presented in the relevant items in the Statement of Profit and Loss and interest accrued but not due is presented in 'Other payables' under 'Other liabilities' in note 11.

	As at 31 December 2012	As at 31 December 2011
9. Short-term borrowings		
Other loans and advances		
Secured		
From banks * $ ^	**4,441.80**	2,295.89
Unsecured		
From banks $ ^	**20,626.15**	18,214.13
Commercial paper # ^	**3,000.00**	8,800.00
	28,067.95	29,310.02
* The Company has created a first charge, on a pari-passu basis, by hypothecation of inventories, trade receivables, outstanding money receivables, claims and bills and other receivables (included under loans and advances and other assets), both present and future.		
$ The Company has taken packing credit and working capital facility from banks which are repayable within 1 day to 180 days.		
^ The Company has not defaulted on repayment of loan and interest during the year.		
# Related unamortised discount is included under "Prepaid expenses" in "Short-term loans and advances" in note 16.	**50.82**	333.16

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
10. Trade payables		
Dues to micro and small enterprises **	**13.28**	20.51
Others	**8,574.83**	9,835.86
	8,588.11	9,856.37
** Disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006 based on the information available with the Company are given below		
The principal amount remaining unpaid to any supplier as at the end of the year	**13.28**	20.51
The interest due on the principal remaining outstanding as at the end of the year	**–**	–
The amount of interest paid under the Act, along with the amounts of the payment made beyond the appointed day during the year	**–**	–
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act	**–**	–
The amount of interest accrued and remaining unpaid at the end of the year	**–**	–
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under the Act	**–**	–
11. Other current liabilities		
Current maturities of long-term borrowings (Refer to note 6)		
From banks - ECBs	**456.66**	4,495.69
From other party	**5.50**	5.50
Income received in advance	**–**	210.00
Book overdraft	**188.62**	342.56
Payable towards purchase of fixed assets	**272.50**	313.97
Interest accrued but not due on borrowings	**129.83**	74.84
Unclaimed dividend $$	**39.90**	51.97
Payable towards unrealised loss on derivative instruments/ forward contracts	**5,392.36**	6,356.47
Advance from customers	**2,421.80**	345.10
Payable to employees	**1,179.10**	1,257.73
Statutory liabilities	**850.00**	642.83
Security deposits received	**66.10**	4.16
Other payables ##	**2,318.41**	15,903.70
	13,320.78	30,004.52

$$ Not due for deposit to Investor Education and Protection Fund.

Include amount payable towards a portion of profit payable to another party in relation to sales of a product.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

12. Tangible fixed assets

	Freehold land #	Leasehold land	Buildings ##	Plant and equipment	Furniture and fixtures $	Office equipments	Vehicles	Total
Gross block								
Balance as at 1 January 2011	248.97	264.07	4,548.94 ^	19,677.03 ^	646.25 ^	438.49	421.58 ^	26,245.33
Additions *	–	–	824.42	3,244.88	120.38	41.48	89.11	4,320.27
Disposals	–	–	23.68	2,044.31	13.03	14.78	45.08	2,140.88
Re-classification to assets held for sale **	–	–	–	315.30	33.22	2.11	–	350.63
Balance as at 31 December 2011	**248.97**	**264.07**	**5,349.68**	**20,562.30**	**720.38**	**463.08**	**465.61**	**28,074.09**
Balance as at 1 January 2012	248.97	264.07	5,349.68	20,562.30	720.38	463.08	465.61	28,074.09
Additions *	–	–	611.08	2,244.14	68.23	54.57	140.61	3,118.63
Disposals	–	–	–	552.13	–	18.13	67.13	637.39
Balance as at 31 December 2012	**248.97**	**264.07**	**5,960.76**	**22,254.31**	**788.61**	**499.52**	**539.09**	**30,555.33**
Depreciation and impairment								
Balance as at 1 January 2011	–	8.57	783.85 ^	8,753.21 ^	216.49 ^	137.70	113.07 ^	10,012.89
Depreciation for the year	–	13.83	150.40	1,363.56	56.83	24.74	43.15	1,652.51
Impairment loss during the year @	–	–	190.48	630.68	2.46	2.67	–	826.29
Accumulated depreciation on disposals	–	–	23.77	1,897.21	9.85	7.99	24.86	1,963.68
Re-classification to assets held for sale **	–	–	0.70	300.72	32.94	2.11	–	336.47
Balance as at 31 December 2011	**–**	**22.40**	**1,100.26**	**8,549.52**	**232.99**	**155.01**	**131.36**	**10,191.54**
Balance as at 1 January 2012	–	22.40	1,100.26	8,549.52	232.99	155.01	131.36	10,191.54
Depreciation for the year	–	2.67	164.60	1,305.70	64.70	25.76	47.27	1,610.70
Accumulated depreciation on disposals	–	–	–	515.59	–	7.15	31.81	554.55
Re-classification to assets held for sale **	–	–	0.79	–	–	–	–	0.79
Balance as at 31 December 2012	**–**	**25.07**	**1,264.07**	**9,339.63**	**297.69**	**173.62**	**146.82**	**11,246.90**
Net block								
As at 31 December 2011	**248.97**	**241.67**	**4,249.42**	**12,012.78**	**487.39**	**308.07**	**334.25**	**17,882.55**
As at 31 December 2012	**248.97**	**239.00**	**4,696.69**	**12,914.68**	**490.92**	**325.90**	**392.27**	**19,308.43**

^ Opening balance as at 1 January 2011 excludes adjustment on account of assets held for sale.
# Freehold land includes land valued at Rs. 25.48 (previous year Rs. 25.48) pending registration in the name of the Company.
Refer to note 24 for rental income earned on operating lease arrangement.
$ Include leasehold improvements.
* Additions include Rs. 438.87 (previous year Rs. 154.46) towards assets located at research and development facilities.
** Refer to note 22

@ The impairment loss recognised for each class of asset is given hereunder:

Asset description	For the year ended 31 December 2012				For the year ended 31 December 2011			
	Gross block	Accumulated depreciation	Impairment recognised	Net block	Gross block	Accumulated depreciation	Impairment recognised	Net block
Buildings	–	–	–	–	271.37	25.60	190.48	55.29
Plant and equipment	–	–	–	–	910.88	232.00	630.68	48.20
Furniture and fixtures	–	–	–	–	5.31	2.66	2.46	0.19
Office equipments	–	–	–	–	4.99	2.24	2.67	0.08

The impairment loss had been determined on the basis of net selling price (determined on the basis of expected salvage value) in respect of CGUs representing specific process plants and other individual assets. The impairment loss had been recognized owing to the prevalent market conditions of the product which was manufactured/ to be manufactured from the specific process plants and conditions of the other individual assets.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Brands and trade marks $$	Computer software $$	Total
13. Intangible fixed assets			
Gross block			
Balance as at 1 January 2011	892.67	1,122.30	**2,014.97**
Additions @@	2.06	203.12	**205.18**
Disposals	9.04	11.06	**20.10**
Balance as at 31 December 2011	**885.69**	**1,314.36**	**2,200.05**
Balance as at 1 January 2012	885.69	1,314.36	**2,200.05**
Additions @@	–	91.91	**91.91**
Disposals	–	259.40	**259.40**
Balance as at 31 December 2012	**885.69**	**1,146.87**	**2,032.56**
Amortisation			
Balance as at 1 January 2011	551.74	610.46	**1,162.20**
Amortisation for the year	104.51	157.52	**262.03**
Accumulated amortisation on disposals	2.10	9.50	**11.60**
Balance as at 31 December 2011	**654.15**	**758.48**	**1,412.63**
Balance as at 1 January 2012	654.15	758.48	**1,412.63**
Amortisation for the year	90.20	160.71	**250.91**
Accumulated amortisation on disposals	–	257.83	**257.83**
Balance as at 31 December 2012	**744.35**	**661.36**	**1,405.71**
Net block			
As at 31 December 2011	**231.54**	**555.88**	**787.42**
As at 31 December 2012	**141.34**	**485.51**	**626.85**

@@ Additions include Rs. 7.74 (previous year Rs. 18.39) towards assets located at research and development facilities.

$$ Remaining useful lives of intangible assets as at 31 December 2012 are as under:

Asset description	Remaining useful lives
Brands and trade marks	1 - 4 years
Computer software	1 - 6 years

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Class of shares	Face value per share	Number of shares As at 31 December 2012	Number of shares As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
14. Non-current investments						
(Valued at cost less any other-than-temporary diminution in value, if any)						
Investments in shares of companies (fully paid-up, unless stated otherwise)						
Trade:						
Quoted						
Zenotech Laboratories Limited, an associate	Equity shares	Rs. 10	**16,127,293**	16,127,293	**2,463.53**	2,463.53
Less: Provision for other-than-temporary diminution in value of non-current investment					**(1,444.00)**	(1,444.00)
					1,019.53	1,019.53
Unquoted						
Subsidiary companies:						
Domestic						
Vidyut Investments Limited	Equity shares	Rs. 10	**25,008,400**	25,008,400	**250.08**	250.08
Less: Provision for other-than-temporary diminution in value of non-current investment					**(239.00)**	(239.00)
Ranbaxy Drugs Limited	Equity shares	Rs. 10	**3,100,020**	3,100,020	**31.00**	31.00
Ranbaxy Drugs Limited	10% NCRP **	Rs. 10	**250**	250	*	*
Ranbaxy Drugs and Chemicals Company $	Equity shares	Rs. 10	–	3,100,000	–	17.25
Solus Pharmaceuticals Limited $	Equity shares	Rs. 10	–	14,900,700	–	783.01
Rexcel Pharmaceuticals Limited $	Equity shares	Rs. 10	–	12,500,000	–	735.00
Gufic Pharma Limited	Equity shares	Rs. 100	**4,900**	4,900	**535.22**	535.22
Ranbaxy Life Sciences Research Limited $	Equity shares	Re. 1	–	24,500,000	–	24.50
Ranbaxy Life Sciences Research Limited ^ $	Preference shares	Rs. 1,000	–	2,000,000	–	200.00
Ranbaxy SEZ Limited $	Equity shares	Rs. 10	–	50,000	–	0.50
Overseas						
Ranbaxy (Netherlands) B.V., The Netherlands #	Ordinary shares	EUR 100	**3,939,716**	3,939,716	**28,947.75**	28,947.75
Ranbaxy (Hong Kong) Limited, Hong Kong (Refer to note 18)	Equity shares	HK $ 1	–	2,400,000	–	9.84
Ranbaxy Pharmacie Generiques SAS, France	Equity shares	EUR 9	**800,000**	800,000	**3,400.02**	3,400.02
Less: Provision for other-than-temporary diminution in value of non-current investment @					**(2,730.00)**	(1,700.00)
Ranbaxy Malaysia Sdn. Bhd., Malaysia	Ordinary shares	RM 1	**3,189,248**	3,189,248	**36.56**	36.56
Ranbaxy Nigeria Limited, Nigeria	Ordinary shares	Naira 1	**13,070,648**	13,070,648	**7.40**	7.40

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Class of shares	Face value per share	Number of shares		As at 31 December 2012	As at 31 December 2011
			As at 31 December 2012	As at 31 December 2011		
Ranbaxy Unichem Co., Ltd, Thailand ^^	Ordinary shares	Bahts 100	**206,670**	206,670	**21.20**	21.20
					30,260.23	33,060.33
Others:						
Unquoted						
Shimal Research Laboratories Limited, an associate (upto 30 June 2011)	Equity shares	Rs. 10	**9,340,000**	9,340,000	**934.00**	934.00
Less: Provision for other-than-temporary diminution in value of non-current investment					**(934.00)**	(934.00)
Shivalik Solid Waste Management Limited	Equity shares	Rs. 10	**20,000**	20,000	**0.20**	0.20
Biotech Consortium India Limited	Equity shares	Rs. 10	**50,000**	50,000	**0.50**	0.50
Less: Provision for other-than-temporary diminution in value of non-current investment					**(0.50)**	(0.50)
Nimbua Greenfield (Punjab) Limited	Equity shares	Rs. 10	**140,625**	140,625	**1.41**	1.41
					1.61	1.61
					31,281.37	34,081.47
Aggregate book value of quoted non-current investments (net of provision for other-than-temporary diminution)					**1,019.53**	1,019.53
Aggregate market value of quoted non current investments					**483.82**	609.61
Aggregate book value of unquoted non-current investments (net of provision for other-than-temporary diminution)					**30,261.84**	33,061.94
Aggregate provision for other-than-temporary diminution in value of non-current investments					**5,347.50**	4,317.50

Notes:

* Rounded off to Rs. Nil.

** NCRP denotes non convertible redeemable preference shares.

^ Partly paid-up Rs. 100 per share.

includes Rs. 7,028.59 (previous year Rs. 7,028.59) paid as share premium reserve.

$ During the current year, the Company has sold its investments in Ranbaxy Drugs and Chemicals Company, Ranbaxy Life Sciences Research Limited, Ranbaxy SEZ Limited, Solus Pharmaceuticals Limited and Rexcel Pharmaceuticals Limited to Ranbaxy Drugs Limited ("RDL") for a total consideration of Rs. 1,774.01 which is expected to be received over next twelve months on a deferred basis and hence disclosed as "Loans and advances to subsidiaries" under Short-term loans and advances in note 16. The Hon'ble High Court of Delhi and the Hon'ble High Court of Punjab and Haryana at Chandigarh has approved the scheme of merger of all above mentioned companies with RDL from appointed date of 1 April 2012. The scheme will become effective on filing of the orders with the Registrar of Companies.

@ During the current year, the Company (in addition to provision for other-than-temporary diminution amounting to Rs. 1,700 as at 31 December 2011) has created a further provision for other-than-temporary diminution of Rs. 1,030 in the value of its non-current investment in Ranbaxy Pharmacie Generiques SAS, France (a wholly owned subsidiary of the Company). The calculation of provision involves usage of assumptions and significant judgement based on valuation methodologies/judgement. Due to change in market conditions and considering actual performance and future projections of the business, the management believes it is prudent to further impair this investment. It will be evaluated on a going forward basis for any further changes.

^^ In December 2012, the Company approved the proposal to integrate the business operations and management of Ranbaxy Unichem Co. Ltd. ('Unichem'), its subsidiary, with Daiichi Sankyo (Thailand) Ltd, a subsidiary of Daiichi Sankyo.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
15. Deferred tax assets (net)		
Deferred tax asset arising on account of:		
Provision for doubtful trade receivables and loans and advances	**164.37**	157.15
Provision for employee benefits	**159.02**	133.19
Revaluation of ECBs	**163.04**	193.96
Provision for diminution in the value of non-current investments	**844.33**	621.54
Tax losses carried forward	**7,468.75**	7,373.87
Others	**1.38**	69.83
	8,800.89	8,549.54
Less: Deferred tax liability arising on account of:		
Depreciation, amortisation and impairment	**2,670.31**	2,541.12
Others	**158.40**	158.40
	2,828.71	2,699.52
Deferred tax assets (net)	**5,972.18**	5,850.02
Less: Deferred tax assets not carried forward	**5,972.18**	5,850.02
Deferred tax assets (net)	**–**	–

As at 31 December 2012 and 31 December 2011, in view of accumulated tax losses and absence of virtual certainty, deferred tax assets have been recognised only to the extent of deferred tax liabilities (primarily arising from depreciation, amortisation and impairment). Deferred tax assets not carried forward include Rs. 1,929 (previous year Rs. 1,929) relating to premium on redemption of FCCBs recorded through securities premium account which has been claimed as allowable deduction in the previous year on payment basis. Accordingly, utilization/ recognition thereof in future period will be recorded by crediting securities premium account. Further, deferred tax assets not carried forward include Rs. 45.34 (previous year Rs. 439.24) relating to loss on effective portion of forward exchange contract adjusted in hedging reserve.

	Long–term		Short–term	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
16. Loans and advances				
(Considered good, unless stated otherwise]				
To parties other than related parties				
Unsecured				
Capital advances for purchase of fixed assets	**79.41**	134.97	**–**	–
Security deposits	**216.79**	200.13	**27.32**	20.59
Loans to employees #	**56.42**	65.73	**59.61**	39.00
MAT credit entitlement	**8,363.86**	8,363.86	**–**	–
Advance income-tax including tax deducted at source [net of provision for tax Rs. 8,282.66 (previous year Rs. 8,445.51)]	**751.06**	39.41	**–**	–
Balances with and advances recoverable from statutory authorities	**–**	–	**2,127.65**	1,979.20
Prepaid expenses	**77.97**	67.57	**443.25**	677.56
Advances to employees	**–**	–	**102.37**	72.36
Advances and deposits with suppliers	**–**	–	**377.33**	530.87
Other advances				
Considered good	**488.86**	486.94	**59.45**	49.26
Considered doubtful	**–**	–	**169.56**	164.75
Less: Provision for doubtful advances	**–**	–	**(169.56)**	(164.75)

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Long–term		Short–term	
	As at 31 December 2012	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
Secured				
Loans to employees #	**72.75**	50.19	**10.12**	8.57
To related parties (unsecured)				
Loans and advances to domestic subsidiaries **	**–**	3.54	**1,783.65**	22.34
Advance to overseas subsidiary	**–**	–	**9.59**	–
Advance to associate	**–**	–	**41.14**	–
	10,107.12	9,412.34	**5,041.48**	3,399.75
# Include due from an officer of the Company	**3.21**	3.44	**0.32**	0.32
** Refer to note 14 and 45.				

	As at 31 December 2012	**As at 31 December 2011**
17. Other non-current assets		
(Unsecured and considered good)		
Receivable towards unrealised gain on derivative instruments/ forward contracts	**214.82**	–
Deposit accounts (due to mature after twelve months of the reporting date) (Refer to note 21) ##	**0.88**	0.86
	215.70	0.86

Represent deposit receipts pledged with Government authorities.

	Class of shares	Face value per share	Number of shares		As at 31 December 2012	As at 31 December 2011
			As at 31 December 2012	**As at 31 December 2011**		
18. Current investments						
(Carried at lower of cost and fair value)						
Quoted (fully paid-up)						
Krebs Biochemicals & Industries Limited	Equity shares	Rs. 10	**1,050,000**	1,050,000	**20.48**	26.46
					20.48	26.46
Unquoted						
Subsidiary companies (overseas):						
Ranbaxy (Hong Kong) Limited, Hong Kong $$	Equity shares	HK $ 1	**2,400,000**	–	**9.84**	–
					9.84	–
					30.32	26.46
Aggregate book value of quoted current investments					**20.48**	26.46
Aggregate market value of quoted current investments					**20.48**	26.46
Aggregate book value of unquoted current investments					**9.84**	–
Aggregate write down to valuation to current investments at fair value					**68.78**	62.79
Quoted investment (both current and non-current)						
Aggregate book value (net of provision for diminution)					**1,040.01**	1,045.99
Aggregate market value					**504.30**	636.07
Aggregate book value (net of provision for other-than-temporary diminution) of unquoted investments (both current and non-current)					**30,271.68**	33,061.94

$$ Classified as current investment as the entity has filed for Members' Voluntary Liquidation in December 2012. Considering the net worth of the entity and pending conclusion of the liquidation process, there is no impact on the carrying value of the investment which is being carried at lower of cost and fair value.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
19. Inventories		
Raw materials $	**5,309.06**	5,044.37
Work-in-progress	**6,286.12**	6,175.94
Finished goods	**4,080.17**	3,772.56
Stock-in-trade $	**1,075.88**	1,001.22
Stores and spares $	**92.79**	83.48
Packing materials $	**474.37**	474.74
	17,318.39	16,552.31
$ Include goods in transit:		
- Raw materials	**478.84**	484.38
- Stock-in-trade	**34.81**	58.95
- Stores and spares	**2.53**	1.23
- Packing materials	**8.74**	18.89
20. Trade receivables		
(Unsecured and considered good, unless stated otherwise)		
Receivables outstanding for a period exceeding six months from the date they became due for payments		
Considered good	**1,437.35**	792.66
Considered doubtful	**337.05**	319.62
	1,774.40	1,112.28
Less: Provision for doubtful trade receivables	**337.05**	319.62
	1,437.35	792.66
Other receivables	**12,921.53**	36,035.53
	12,921.53	36,035.53
	14,358.88	36,828.19
21. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	**3.95**	5.95
Cheques on hand	**–**	21.15
Remittances in transit	**23.10**	86.96
Balances with banks:		
On current accounts	**88.66**	502.95
On deposit accounts (with original maturity of three or less than three months)#	**550.00**	7,194.92
	665.71	7,811.93
Other bank balances #	**27,682.02**	11,567.60
	28,347.73	19,379.53
# Include amounts held at foreign branches which are not freely remissible to the Company on account of statutory regulations		
- On deposit accounts (with original maturity of three or less than three months)	**–**	1,644.93
- Other bank balances	**2,866.34**	3,815.62
	2,866.34	5,460.55
Details of bank balances/ deposits		
Bank balances available on demand/ deposit with original maturity of three months or less included under ‘ Cash and cash equivalents’	**550.00**	7,194.92
Bank deposits due to mature within twelve months of the reporting date included under ‘Other bank balances’	**27,642.12**	11,515.63
Unclaimed dividend accounts included under ‘Other bank balances’	**39.90**	51.97
Bank deposits due to mature after twelve months of the reporting date included under ‘Other non-current assets’ (Refer to note 17)	**0.88**	0.86
	28,232.90	18,763.38

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
22. Other current assets		
(Unsecured and considered good)		
Tangible fixed assets held for sale (Refer to note 12)	**34.39**	50.05
Export incentives accrued	**931.15**	1,151.88
Receivable towards unrealised gain on derivative instruments/ forward contracts	**51.95**	1,291.13
Insurance claims receivable	**11.38**	20.57
Interest accrued but not due on deposit accounts	**438.24**	182.23
Others	**–**	71.27
	1,467.11	2,767.13

	Year ended 31 December 2012	Year ended 31 December 2011
23. Revenue from operations		
Sale of products		
Domestic	**22,310.68**	19,952.90
Export *	**39,092.89**	54,996.54
Gross	**61,403.57**	74,949.44
Less: Excise duty	**279.14**	190.48
Net #	**61,124.43**	74,758.96
Other operating revenues		
Royalty, milestone, technical know-how and product development ^	**538.18**	613.16
Export incentives	**837.95**	999.36
Unclaimed balances / excess provision written back	**26.76**	91.85
Non-compete fee	**210.00**	420.00
Net gain on account of foreign exchange fluctuations (others)	**–**	849.92
Scrap sales	**82.40**	81.77
Insurance claims	**37.31**	27.96
Reversal of provision/ write off of doubtful trade receivables and loans and advances	**–**	29.47
Others	**178.41**	118.12
	1,911.01	3,231.61
	63,035.44	77,990.57

* Sale of products - export for the year ended 31 December 2012 and 31 December 2011 include significant sales relating to First-To-File (FTF) products in the USA. Pursuant to the accounting policy followed by the Company, sales of products - export for aforesaid period include transfer pricing adjustment with group companies for materials/ products already supplied to its subsidiaries determined on the basis of significant judgment and estimates.

# Break-up of revenue from sale of products (net of excise duty)		
Classification		
Manufactured goods		
Formulations:		
Tablets	**19,096.68**	16,304.78
Capsules	**5,383.11**	5,156.80
Vials	**2,855.43**	2,650.22
Ointments	**1,265.69**	725.16
Others	**3,046.44**	3,164.30
API and drugs intermediates	**14,025.74**	33,338.41
	45,673.09	61,339.67

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Year ended 31 December 2012	Year ended 31 December 2011
Traded goods		
Formulations:		
Tablets	**6,483.17**	4,908.84
Capsules	**967.03**	784.88
Vials	**1,665.29**	1,233.65
Ointments	**1,564.15**	1,686.58
Others	**1,452.76**	1,213.24
API and drugs intermediates	**3,318.94**	3,592.10
	15,451.34	13,419.29
	61,124.43	74,758.96
^ Include prior period income	**55.42**	–

24. Other income

	Year ended 31 December 2012	Year ended 31 December 2011
Interest *	**2,236.64**	898.61
Dividend on non-current investments with overseas subsidiaries	**10.04**	11.83
Profit on sale of fixed assets, net	**9.54**	74.36
Profit on sale of non-current investment	**13.76**	0.23
Rental income from property leases #	**126.00**	126.30
Net gain on account of foreign exchange fluctuations on loans	**175.65**	–
Net gain on account of foreign exchange fluctuations on deposit accounts	**–**	1,115.22
	2,571.63	2,226.55
* Interest income on:		
Current investments	**–**	94.21
Others	**2,236.64**	804.40
	2,236.64	898.61

The Company has given a part of its premises under cancellable operating lease arrangement to a related party. Lease rentals amounting to Rs. 126.00 (previous year Rs. 126.30) has been recognised in the Statement of Profit and Loss. As only a portion of these premises has been let out, the gross carrying amount and the accumulated depreciation of leased premises/ assets is not separately identifiable.

25. Cost of materials consumed

	Year ended 31 December 2012	Year ended 31 December 2011
Inventory of materials at the commencement of the year		
Raw materials	**5,044.37**	4,788.80
Packing materials	**474.74**	444.13
	5,519.11	5,232.93
Purchases		
Raw materials	**13,238.41**	15,892.08
Packing materials	**2,312.52**	2,243.23
	15,550.93	18,135.31
Inventory of materials at the end of the year		
Raw materials	**5,309.06**	5,044.37
Packing materials	**474.37**	474.74
	5,783.43	5,519.11
Raw materials consumed $	**12,973.72**	15,636.51
Packing materials consumed	**2,312.89**	2,212.62
	15,286.61	17,849.13
$ Include site variation cost paid to subsidiaries	**105.65**	285.59

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

		Year ended 31 December 2012	Year ended 31 December 2011
26.	**Purchases of stock-in-trade #**	**8,090.01**	6,367.31
		8,090.01	6,367.31
	# Break-up of purchases of stock-in-trade		
	Classification		
	Formulations:		
	Tablets	**2,258.16**	1,864.12
	Capsules	**472.97**	391.11
	Vials	**1,167.85**	842.52
	Ointments	**634.57**	720.83
	Others	**996.43**	820.95
	API and drugs intermediates	**2,560.03**	1,727.78
		8,090.01	6,367.31
27.	**Change in inventories of finished goods, work-in-progress and stock-in-trade**		
	Opening stock		
	Work-in-progress ##	**6,175.94**	4,826.21
	Finished goods @	**3,772.56**	3,639.14
	Stock-in-trade @@	**1,001.22**	1,127.15
		10,949.72	9,592.50
	Less:		
	Closing stock		
	Work-in-progress ##	**6,286.12**	6,175.94
	Finished goods @	**4,080.17**	3,772.56
	Stock-in-trade @@	**1,075.88**	1,001.22
		11,442.17	10,949.72
	Net increase	**(492.45)**	(1,357.22)

		Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
## Break-up of inventories - work-in-progress				
Classification				
Formulations:				
Tablets		**410.47**	776.17	578.29
Capsules		**106.49**	127.21	127.65
Vials		**14.35**	65.90	95.25
Ointments		**8.78**	6.46	5.73
Others		**90.57**	64.28	50.39
API and drugs intermediates $$		**5,655.46**	5,135.92	3,968.90
		6,286.12	6,175.94	4,826.21
$$ Include materials to be used for captive consumption				
Net increase in inventories of work-in-progress	A	**(110.18)**	(1,349.73)	
@ Break-up of inventories - finished goods				
Classification				
Formulations:				
Tablets		**1,580.20**	1,478.62	1,145.59
Capsules		**297.49**	236.61	324.85
Vials		**226.48**	259.84	165.42
Ointments		**65.99**	66.22	70.00
Others		**316.74**	193.71	259.32
API and drugs intermediates		**1,593.27**	1,537.56	1,673.96
		4,080.17	3,772.56	3,639.14

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

		Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Net increase in inventories of finished goods	B	**(307.61)**	(133.42)	
@@ Break-up of inventories - stock-in-trade				
Classification				
Formulations:				
Tablets		**397.89**	328.42	344.26
Capsules		**86.58**	67.23	60.95
Vials		**232.94**	201.37	206.52
Ointments		**102.23**	171.73	131.22
Others		**188.44**	202.42	240.59
API and drugs intermediates		**67.80**	30.05	143.61
		1,075.88	1,001.22	1,127.15
Net (increase)/ decrease in inventories of stock-in-trade	C	**(74.66)**	125.93	
Net increase in inventories	A+B+C	**(492.45)**	(1,357.22)	

	Year ended 31 December 2012	Year ended 31 December 2011
28. Employee benefits expense		
Salaries, wages and bonus* (Refer to note 35)	**8,825.20**	7,604.70
Contribution to provident, gratuity and other funds # (Refer to note 35)	**721.65**	544.97
Employee stock option expense (Refer to note 34)	**222.47**	78.32
Workmen and staff welfare expenses	**426.57**	379.12
	10,195.89	8,607.11
* Include prior period expense	**–**	117.20
# Includes contribution to following defined contribution plans:		
Superannuation fund and ESI scheme	**109.28**	112.88
Fund schemes for overseas representative offices	**164.37**	128.29
29. Finance costs		
Interest expense	**1,300.56**	582.53
Other borrowing costs	**429.52**	137.95
Net loss on foreign currency transactions and translations to the extent regarded as borrowing costs	**1,239.74**	2,269.51
	2,969.82	2,989.99
30. Other expenses		
Stores and spare parts consumed	**1,154.27**	1,014.37
Power and fuel	**2,309.07**	1,949.80
Repairs and maintenance		
- Buildings	**71.84**	48.79
- Plant and machinery	**249.31**	213.97
- Others	**588.80**	484.37
Processing charges	**1,072.54**	912.93
Advertising and sales promotion	**3,036.14**	2,933.05
Freight, clearing and forwarding	**1,784.57**	1,623.49
Business support and market research	**967.34**	598.24
Brokerage and commission	**446.52**	402.78
Conferences and meetings	**223.60**	194.17
Legal and professional fees *	**3,097.24**	2,238.94

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Year ended 31 December 2012	Year ended 31 December 2011
Claims and contractual expense ^	**3,842.89**	15,103.83
Clinical trials	**327.27**	313.92
Regulatory filing fees	**217.82**	343.34
Analytical charges	**321.05**	408.36
Insurance	**364.63**	333.67
Rates and taxes	**198.27**	168.44
Travelling and conveyance	**1,525.83**	1,388.24
Rent #	**495.48**	569.99
Communication	**299.92**	293.22
Recruitment and training	**181.39**	191.85
Running and maintenance of vehicles	**181.84**	153.37
Remuneration to non-executive directors	**50.00**	–
Printing and stationery	**106.14**	108.78
Net loss on account of foreign exchange fluctuations on loans	**–**	3,071.72
Net loss on account of foreign exchange fluctuations on deposit accounts	**1.19**	–
Net loss on account of foreign exchange fluctuations (others)	**1,563.30**	–
Provision for doubtful trade receivables and loans and advances	**22.24**	–
Amounts written off	**23.30**	–
Fixed assets written off	**35.34**	22.98
Provision for diminution in the value of current investment	**5.99**	13.23
Excise duty related to increase/ (decrease) in inventory of finished goods	**126.26**	(12.53)
Miscellaneous	**634.77**	696.51
	25,526.16	35,783.82
* Include payment to auditors (exclusive of service tax)		
As auditor		
Statutory audit fee	**11.05**	13.00
Tax audit fee	**3.50**	3.50
Limited review fees of quarterly results	**16.74**	18.60
Other services	**15.15**	6.15
Reimbursement of expenses	**2.71**	1.85
	49.15	43.10

^ During the current and previous year, the Company has accrued an expense as claims and contractual expense towards a portion of profit payable to another party in relation to sales of a product.

The Company has taken certain facilities under cancellable and non-cancellable operating lease arrangements with lease term ranging from 11 months to 10 years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The future minimum lease payments in respect of non-cancellable operating leases as at 31 December 2012 and 31 December 2011 are:

	As at 31 December 2012	As at 31 December 2011
a] not later than one year	**168.47**	133.92
b] later than one year but not later than five years	**260.22**	325.04
c] later than five years	**19.35**	37.90
	448.04	496.86

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

		Year ended 31 December 2012	Year ended 31 December 2011
31. Income tax expense			
Current tax (MAT)		–	55.52
MAT credit entitlement		–	(55.52)
Deferred tax charge		–	66.86
Tax for earlier years, net		(19.44)	(33.07)
		(19.44)	33.79
32. Loss per equity share			
Net loss attributable to equity shareholders			
Net loss attributable for equity shareholders	(A)	(1,623.39)	(30,520.49)
Number of weighted average equity shares			
Basic and diluted	(B)	421,960,943	421,432,388
Nominal value of equity share (Rs. - not in millions)		5.00	5.00
Loss per equity share (Rs. - not in millions)			
Basic and diluted	(A) / (B)	(3.85)	(72.42)
* Following are the potential equity shares considered to be anti-dilutive in nature, hence these have not been adjusted to arrive at the dilutive earnings per share.			
- Employees stock options outstanding account		6,793,215	6,755,211
33. Research and development expenses **			
Raw materials consumed $		787.57	1,082.10
Salaries, wages and bonus		1,538.25	1,331.36
Contribution to provident, gratuity and other funds		116.13	93.61
Workmen and staff welfare expenses		53.67	52.97
Stores and spare parts consumed		490.68	428.76
Power and fuel		355.91	351.53
Repairs and maintenance			
- Buildings		8.43	6.06
- Plant and machinery		38.74	32.07
- Others		185.70	125.61
Processing charges		2.58	5.69
Legal and professional fees		20.94	19.19
Clinical trials		313.19	302.83
Analytical charges		52.96	81.22
Insurance		40.67	38.98
Travelling and conveyance		84.20	79.78
Rent		130.74	214.73
Communication		50.51	54.12
Recruitment and training		11.38	7.50
Running and maintenance of vehicles		29.92	30.54
Printing and stationery		17.28	20.46
Fixed assets written off		1.58	12.11
Miscellaneous		159.38	158.00
		4,490.41	4,529.22
** Excluding finance costs, depreciation, amortisation and impairment			
$ Include site variation costs paid to subsidiaries		105.65	285.59

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

34. Employee share-based payment plans

The Company's Employee Stock Option Schemes ("ESOSs") provide for the grant of stock options to eligible employees and Directors of the Company and its subsidiaries. The ESOSs are administered by the Compensation Committee ("Committee") of the Board of Directors of the Company. Options are granted at the discretion of the committee to selected employees depending upon certain criterion. As at 31 December 2012, there were four ESOSs, namely, "ESOS I", "ESOS II", "ESOS 2005" and "ESOP 2011".

The ESOSs limits the maximum grant of options to an employee at 25,000 for ESOS I, 40,000 for ESOS II and 300,000 for ESOS 2005 in any given year. ESOS I and II provide that the grant price of options is to be determined at the average of the daily closing price of the Company's equity shares on the NSE during a period of 26 weeks preceding the date of the grant. ESOS 2005 provides that the grant price of options will be the latest available closing price on the stock exchange on which the shares of the Company are listed, prior to the date of the meeting of the Committee in which the options are granted. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered. The options vests evenly over a period of five years from the date of grant. Options lapse, if they are not exercised prior to the expiry date, which is ten years from the date of grant.

During the previous year, the Company had introduced a new ESOS scheme namely Ranbaxy Employees Stock Option Plan 2011 "ESOP - 2011" with effect from 1 July 2011. This scheme limits the maximum grant of options to an employee or a director at 30,000 in any given year. ESOP 2011 provides that the grant price will be the face value of the equity share. The options vests evenly over a period of three years from the date of grant. Options lapse, if they are not exercised prior to the expiry date, which is three months from the date of the vesting. The Company has formed Ranbaxy ESOP Trust ('Trust') to administer ESOP - 2011 scheme. The Company will issue shares to the Trust which will allocate the shares to the respective employees upon exercise of stock options from time to time under ESOP - 2011.

The Shareholders' Committee have approved issuance of options under the ESOS as per details given below:

Date of approval	No. of options approved
29 June 2002	2,500,000
25 June 2003	4,000,000
30 June 2005	4,000,000
09 May 2011	3,000,000

In accordance with the above approval of issuance of options, stock options have been granted from time to time.

The stock options outstanding as on 30 June 2005 are proportionately adjusted in view of the sub-division of equity shares of the Company from the face value of Rs.10 each into 2 equity shares of Rs. 5 each.

Options granted upto 3 October 2002 are entitled for additional bonus shares in the ratio of 3:5.

The movement of the options (post split and without adjustment for bonus shares) granted under ESOS I, ESOS II and ESOS 2005 for the year ended 31 December 2012 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, commencement of the year	**6,253,100**	**216.00-561.00**	**422.78**	**5.01**
Forfeited during the year	**(92,134)**	**216.00-450.00**	**374.54**	
Exercised during the year**	**(457,642)**	**216.00-538.50**	**333.66**	
Lapsed during the year	**(393,923)**	**216.00-538.50**	**445.64**	
Outstanding, end of the year*	**5,309,401**	**216.00-561.00**	**429.61**	**4.02**
Exercisable at the end of the year*	**4,176,400**	**216.00-561.00**	**445.96**	**3.34**

*Includes options exercised, pending allotment.

** excluding 16,437 shares issued towards bonus entitlement.

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(Rupees in millions except share data, per share data and if otherwise stated)

The movement of the options (post split) granted under ESOP - 2011 for the year ended 31 December 2012 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, commencement of the year	**765,718**	**5.00**	**5.00**	**1.74**
Granted during the year	**807,968**	**5.00**	**5.00**	
Forfeited during the year	**(102,780)**	**5.00**	**5.00**	
Exercised during the year #	**(238,762)**	**5.00**	**5.00**	
Lapsed during the year	**(13,970)**	**5.00**	**5.00**	
Outstanding, end of the year*	**1,218,174**	**5.00**	**5.00**	**1.28**
Exercisable at the end of the year*	**20,329**	**5.00**	**5.00**	**0.56**

*Includes options exercised, pending allotment.

Shares allocated by the Trust against these exercises (Refer to note 3f)

The movement of the options (post split and without adjustment for bonus shares) granted under ESOS I, ESOS II and ESOS 2005 for the year ended 31 December 2011 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, commencement of the year	7,401,143	216.00-561.00	415.42	5.99
Forfeited during the year	(249,482)	216.00-450.00	372.68	
Exercised during the year**	(600,949)	216.00-538.50	344.91	
Lapsed during the year	(297,612)	216.00-538.50	438.96	
Outstanding, end of the year*	6,253,100	216.00-561.00	422.78	5.01
Exercisable at the end of the year*	4,222,511	216.00-561.00	447.99	3.95

*Includes options exercised, pending allotment.

** excluding 33,082 shares issued towards bonus entitlement.

The movement of the options (post split) granted under ESOP 2011 for the year ended 31 December 2011 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted–average exercise prices (Rs.)	Weighted–average remaining contractual life (years)
Outstanding, commencement of the year	–	–	–	–
Granted during the year	802,612	5.00	5.00	
Forfeited during the year	(36,894)	5.00	5.00	
Exercised during the year #	–	–	–	
Lapsed during the year	–	–	–	
Outstanding, end of the year*	765,718	5.00	5.00	1.74
Exercisable at the end of the year*	4,933	5.00	5.00	0.74

*Includes options exercised, pending allotment.

Shares allocated by the Trust against these exercises (Refer to note 3f).

35. Employee benefits expense

The Company primarily provides the following retirement benefits to its employees:

(a) Pension

(b) Provident fund

(c) Gratuity

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

The following tables sets out the disclosures relating to pension, provident fund and gratuity benefits as required by AS 15 'Employee Benefits':

	Pension (Unfunded)	Provident fund (Funded)	Gratuity (Funded)
Change in the present value of obligations:			
Present value of obligation as at 1 January 2012	**2,068.66**	**3,196.40**	**842.89**
	1,992.95	*2,975.90*	*734.19*
Add: Current service cost	**102.24**	**172.41**	**69.52**
	94.05	*156.74*	*57.79*
Add: Interest cost	**167.82**	**271.33**	**64.91**
	152.09	*233.85*	*53.48*
Add: Employees contribution	**–**	**335.39**	**–**
	–	*295.83*	*–*
Add: Transfer in	**–**	**182.54**	**–**
	–	*69.01*	*–*
Less: Past service credit/ (cost)*	**71.33**	**(1.18)**	**3.94**
	–	*–*	*–*
Less: Benefits paid/ settlement	**81.97**	**509.82**	**57.52**
	76.33	*470.03*	*47.78*
Add: Actuarial (gain)/ loss on obligations	**278.14**	**(50.25)**	**156.25**
	(94.10)	*(64.90)*	*45.21*
Present value of obligation as at 31 December 2012	**2,463.56**	**3,599.18**	**1,072.11**
	2,068.66	*3,196.40*	*842.89*

* Past service credit is due to revision in the retirement age from 58 years to 60 years except for few employees who have opted for retirement age of 58 years.

	Provident fund (Funded)	Gratuity (Funded)
Change in the fair value of plan assets:		
Fair value of plan assets as at 1 January 2012	**3,228.86**	**846.76**
	2,931.95	*665.86*
Add: Expected return on plan assets	**274.10**	**76.51**
	247.87	*66.08*
Add: Company's contributions	**166.03**	**156.34**
	142.57	*163.66*
Add: Employees contributions	**335.39**	**–**
	295.83	*–*
Add: Transfer in fund	**182.54**	**–**
	69.01	*–*
Less: Benefits paid/ settlement	**509.82**	**57.52**
	470.03	*47.78*
Add: Actuarial gain/ (loss) on plan assets	**2.51**	**4.21**
	11.66	*(1.06)*
Fair value of plan assets as at 31 December 2012	**3,679.61**	**1,026.30**
	3,228.86	*846.76*
Return on plan assets:		
Expected return on plan assets	**274.10**	**76.51**
	247.87	*66.08*
Add: Actuarial gain/ (loss) on plan assets	**2.51**	**4.21**
	11.66	*(1.06)*
Actual return on plan assets	**276.61**	**80.72**
	259.53	*65.02*

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Provident fund (Funded)	Gratuity (Funded)
Reconciliation of present value of defined benefit obligation and the fair value of plan assets:		
Present value of funded obligation as at 31 December 2012	**3,599.18**	**1,072.11**
	3,196.40	*842.89*
Less: Fair value of plan assets as at 31 December 2012	**3,679.61**	**1,026.30**
	3,228.86	*846.76*
Funded status as at 31 December 2012 - (asset)/ liability	**(80.43)**	**45.81**
	(32.46)	*(3.87)*
Net liability/ (asset) recognised in Balance Sheet as at 31 December 2012	**–**	**45.81**
	–	*(3.87)*
Net asset unrecognised in Balance Sheet as at 31 December 2012	**(80.43)**	**–**
	(32.46)	*–*

Figures in italics are for the year ended 31 December 2011.

Gratuity and provident fund contribution expected to be paid in the next year is Rs. 167.00 (previous year Rs. 152.00) and Rs. 182.50 (previous year Rs. 163.60) respectively.

	Pension (Unfunded)	Provident fund (Funded)	Gratuity (Funded)
Expenses recognised in the Statement of Profit and Loss:			
Current service cost	**102.24**	**172.41**	**69.52**
	94.05	*156.74*	*57.79*
Add: Interest cost	**167.82**	**271.33**	**64.91**
	152.09	*233.85*	*53.48*
Less: Past service credit *	**71.33**	**(1.18)**	**3.94**
	–	*–*	*–*
Add: Expected return on plan assets		**(274.10)**	**(76.51)**
	–	*(247.87)*	*(66.08)*
Add: Net actuarial loss/ (gain) recognised	**278.14**	**(52.76)**	**152.04**
	(94.10)	*(76.56)*	*46.27*
Expense to be recognised in the Statement of Profit and Loss	**476.87**	**118.06**	**206.02**
	152.04	*66.16*	*91.46*
Less: Amount capitalised on projects	**13.09**	**–**	**3.39**
	1.23	*–*	*(0.30)*
Expense recognised in the Statement of Profit and Loss	**463.78**	**118.06**	**202.63**
	150.81	*66.16 #*	*91.76*

* Past service credit is due to revision in the retirement age from 58 years to 60 years except for few employees who have opted for retirement age of 58 years.

Further, during the year, the Company has recognised an expense of Rs. 240.85 (previous year Rs. 209.39) pertaining to employers' contribution to provident fund including portion paid to the statutory authorities, which is included in "Employee benefits expense" in note 28.

Represents employers' contribution to provident fund made by the Company to provident fund trust administered by the Company, net for reversal of unrecognised deficit of Rs. Nil (previous year Rs. 43.95) as at the beginning of the year (previous year being the first year of actuarial valuation) and unrecognised surplus of Rs. 80.43 (previous year Rs. 32.45) as at 31 December 2012 (in absence of any right to claim the surplus), both being considered in actuarial valuation.

Figures in italics are for the year ended 31 December 2011.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

The major categories of plan assets as a percentage of total plan assets are as under:

Particulars	Provident fund	Gratuity
Central government securities	**21%**	**2%**
	20%	*3%*
State government securities	**15%**	**1%**
	12%	*1%*
Bonds and securities of public sector/ financial institutions	**63%**	**19%**
	66%	*23%*
Deposits with the Reserve Bank of India	**0%**	**0%**
	2%	*0%*
Insurer managed funds	**0%**	**78%**
	0%	*73%*
Surplus fund lying uninvested	**1%**	**0%**
	0%	*0%*

Percentages in italics are for the year ended 31 December 2011.

The following table sets out the assumptions used in valuation of provident fund, pension and gratuity:

Particulars	Pension (Unfunded)	Provident fund (Funded)	Gratuity (Funded)
Discount rate	**8.20%**	**8.20%**	**8.20%**
	8.50%	*8.50%*	*8.50%*
Rate of increase in compensation levels ##	**10.00%**	**N.A.**	**10.00%**
	7-10%	*N.A.*	*7-10%*
Interest rate guarantee	**N.A.**	**8.50%**	**N.A.**
	N.A.	*8.50%*	*N.A.*
Rate of return of plan assets **	**N.A.**	**9.03%**	**9.00%**
	N.A.	*8.50%*	*9.00%*
Expected average remaining working lives of employees (years)	**19.51**	**21.52-26.88**	**21.48-26.39**
	18.82	*19.93-23.94*	*19.81-24.41*

10% for all future years (previous year 10% for the first two years and 7% thereafter). The salary increase takes account of inflation, seniority, promotion and other relevant factors on long term basis.

** On the basis of average rate of earnings expected on the funds invested.

Figures/ percentages in italics are for the year ended 31 December 2011.

Demographic assumptions

Mortality	**Indian assured lives mortality (1994-96) modified ultimate**
	Indian assured lives mortality (1994-96) modified ultimate
Disability	**5% of mortality rate**
	5% of mortality rate
Withdrawal	**15% - 18%**
	15% - 18%
Retirement age	**58 and 60 years**
	58 years

Amount for the current year and previous four years are as follows:

Pension plan:

	For the year ended 31 December				
	2012	**2011**	**2010**	**2009**	**2008**
Present value of defined benefit obligation	**(2,463.56)**	(2,068.66)	(1,992.95)	(1,701.50)	(1,571.19)
Experience adjustment loss/ (gain) for plan liability	**96.92**	78.93	(17.89)	23.29	(27.10)

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(Rupees in millions except share data, per share data and if otherwise stated)

Gratuity plan:

	For the year ended 31 December				
	2012	**2011**	**2010**	**2009**	**2008**
Present value of defined benefit obligation	**(1,072.11)**	(842.89)	(734.19)	(525.07)	(482.17)
Fair value of plan assets	**1,026.30**	846.76	665.86	439.29	439.19
(Deficit)/ surplus	**(45.81)**	3.87	(68.33)	(85.78)	(42.98)
Experience adjustment loss for plan liability	**46.60**	65.87	117.66	52.30	72.38
Experience adjustment loss/ (gain) for plan assets	**4.24**	(1.06)	2.95	–	0.40

Provident fund ##

	For the year ended 31 December		
	2012	**2011**	**2010**
Present value of defined benefit obligation	**(3,599.18)**	(3,196.40)	(2,975.90)
Fair value of plan assets	**3,679.61**	3,228.86	2,931.95
Surplus/(deficit)	**80.43**	32.46	(43.95)
Experience adjustment (gain)/ loss for plan liability	**(64.78)**	8.16	22.97
Experience adjustment loss for plan assets	**2.51**	11.66	16.90

Information presented for three year since 31 December 2010 was the first year of actuarial valuation.

36. Hedging and derivatives

a) The Company uses various forms of derivative instruments such as foreign exchange forward contracts (including instruments which are in substance forward contracts), options, currency swaps, currency cum interest rate swaps and interest rate swaps to hedge its exposure to movements in foreign exchange and interest rates. These derivatives are not used for trading or speculation purposes.

b) The Company classifies some of its derivative contracts that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. As at 31 December 2012, these highly probable forecasted transactions are expected to occur over a period of January 2013 to July 2013 year (previous year from January 2012 to July 2013 years) which also approximates/ coincides with maturity of hedging instruments. The effective portion of such cash flow hedges is recorded as part of reserves and surplus within "hedging reserve"and re-classified in the Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the highly probable forecasted transactions. The ineffectiveness arising from cash flow hedges which is recognised in Statement of Profit and Loss is not material.

The following are the outstanding derivative contracts entered into by the Company:

As at 31 December 2012

Category	Currency	Cross Currency	Amount (in millions)	Buy/ Sell	Purpose
Forward contracts for loans (PCFC) $ ^	**USD**	**INR**	**USD 137.30**	**Buy**	**Hedging**
Forward contracts for loans (ECBs) $	**USD**	**INR**	**USD 8.34**	**Buy**	**Hedging**
Currency swaps (ECBs) $	**USD**	**INR**	**USD 120.00**	**Buy**	**Hedging**
Forward contracts > # *	**USD**	**INR**	**USD 20.00**	**Sell**	**Hedging**
Forward contracts > #	**EUR**	**USD**	**EUR 4.00**	**Sell**	**Hedging**
Currency options > # **	**USD**	**INR**	**USD 430.00**	**Sell**	**Hedging**
Currency cum interest rate swaps (ECBs) > #	**USD**	**INR**	**USD 100.00**	**Buy**	**Hedging**

As at 31 December 2011

Category	Currency	Cross Currency	Amount (in millions)	Buy/ Sell	Purpose
Forward contracts for loans (PCFC) $ ^	USD	INR	USD 54.00	Buy	Hedging
Currency swaps (ECBs) > #	JPY	USD	JPY 5,900.00	Buy	Hedging
Interest rate swap (JPY LIBOR) > #	JPY		JPY 2,900.00		Hedging
Forward contracts > # *	USD	INR	USD 195.00	Sell	Hedging
Forward contracts > #	EUR	USD	EUR 1.00	Sell	Hedging
Currency options > # **	USD	INR	USD 654.50	Sell	Hedging

$ accounted for in accordance with "AS 11", The Effects of Changes in foreign exchange rates.

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(Rupees in millions except share data, per share data and if otherwise stated)

> accounted for in accordance with "AS 30", Financial instruments-recognition and measurement", to the extent not covered under AS 11.

Cumulative mark to market loss (net), on above instruments Rs. 15,463.51 (previous year Rs. 21,057.64) which has been determined based on valuation provided by banks i.e counter party.

* designated as cash flow hedge instruments.

** structured options @ 2.00 to 2.5 times.

^ PCFC represents packing credit loans taken in foreign currency.

c) The Company's unhedged foreign currency exposures on account of receivables/ payables (net of respective derivatives and forward contracts) are as follows:

	As at 31 December 2012		As at 31 December 2011	
	(in original currency)	(in Rupees)	(in original currency)	(in Rupees)
	(in millions)		(in millions)	
Receivables (net of provision for doubtful receivables)				
- EUR ##	**30.57**	**2,210.95**	23.73	1,635.11
- ZAR	**289.38**	**1,867.79**	191.49	1,244.36
- RUB	**1,375.45**	**2,477.23**	978.82	1,622.02
- GBP	**0.33**	**28.98**	1.80	147.74
- AUD	**22.33**	**1,271.00**	9.65	521.12
- SEK	**3.88**	**32.59**	8.40	64.71
- NZD	**0.33**	**14.74**	0.30	12.50
- MYR	**2.49**	**44.51**	1.99	33.34
- JPY	**0.09**	**0.05**	0.09	0.06
- THB	**17.53**	**31.32**	50.08	83.98
- NGN	**11.14**	**3.92**	9.44	3.21
- CAD	**2.90**	**159.50**	–	–
- RMB	**–**	**–**	0.56	4.71
- MXN	**36.90**	**155.30**	8.56	32.50
- USD ^^	**–**	**–**	–	–

Net of forward contract of EUR 4 million (previous year EUR 1 million) irrespective of the maturities.

^^ Net of currency options of USD 71.45 million (previous year USD 558.53 million) irrespective of the maturities of currency options.

Payables				
- USD	**581.53**	**31,841.81**	866.02	46,115.36
- EUR	**3.02**	**218.55**	6.94	478.07
- GBP	**0.64**	**56.26**	0.48	39.27
- CAD	**0.11**	**5.95**	0.08	4.26
- JPY	**49.90**	**31.78**	63.71	43.76
- RUB	**102.37**	**184.62**	30.71	50.94
- UAH	**2.78**	**18.91**	1.71	11.36
- AED	**0.73**	**10.87**	0.32	4.66
- KZT	**5.01**	**1.83**	7.26	2.60
- CFR	**111.70**	**12.32**	69.08	7.24
- AUD	**0.48**	**27.27**	0.31	17.02
- VND	**1,176.96**	**3.10**	687.23	1.74
Others $$		**20.40**		15.55
Bank balances (include interest accrued but not due on bank deposits)				
- AED	**0.21**	**3.12**	0.13	1.84
- USD	**53.12**	**2,908.12**	103.32	5,500.85
- LTL	**0.46**	**9.60**	0.28	5.62
- CFR	**196.81**	**21.56**	99.18	10.36
- RUB	**1.22**	**2.21**	6.51	10.79

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012		As at 31 December 2011	
	(in original currency)	(in Rupees)	(in original currency)	(in Rupees)
	(in millions)		(in millions)	
- PLN	**0.02**	**0.38**	0.03	0.42
- UAH	**0.29**	**1.99**	0.68	4.52
- RMB	**0.39**	**3.44**	0.21	1.78
- KZT	**3.16**	**1.15**	0.78	0.28
- KES	**2.84**	**1.80**	2.94	1.84
Others $$	**2.51**	**1.31**		
Loans (include interest accrued but not due on borrowings)				
- USD @	**309.32**	**16,936.75**	584.08	31,102.45
- JPY @@	**–**	**–**	9.73	6.68

@ Net of forward contracts of USD 145.64 million (previous year USD 54 million), currency swaps of USD 120 million (previous year USD Nil) and currency cum interest rate swaps of USD 100 million (previous year USD Nil).

@@ Net of currency swaps of JPY Nil (previous year JPY 5,900 million) and interest rate swap on JPY Nil (previous year JPY 2,900 million) loan.

$$ Exposures in other currencies which are not significant has been aggregated for this disclosure.

37. Related party disclosures

A] Names of related parties

Related parties with whom no transactions have taken place during the year or previous year:

i) Subsidiaries including step down subsidiaries

Vidyut Investments Limited, India

Ranbaxy (Netherlands) BV, The Netherlands

Ranbaxy Signature LLC, USA

Be-Tabs Investments (Proprietary) Limited, South Africa

Terapia Distributie S.R.L., Romania (Merged with Terapia S.A., Romania w.e.f. 7 February 2012)

Office Pharmaceutique Industriel et Hospitalier SARL, France

Ranbaxy Holdings (UK) Ltd., United Kingdom ('UK')

Ranbaxy Do Brazil Ltda., Brazil

Ranbaxy Pharma AB, Sweden

Ranbaxy USA Inc., USA

Ranbaxy GmbH, Germany (from 9 November 2012)

Ranbaxy Mexico Servicios S.A.de C.V., Mexico (upto 29 July 2011)

ii) Associate company

Shimal Research Laboratories Limited, India (upto 30 June 2011)

Related parties with whom transactions have taken place during the year or previous year:

i) Holding company (also being the ultimate holding company)

Daiichi Sankyo Company Limited, Japan

ii) Fellow subsidiaries

Daiichi Sankyo India Pharma Private Limited, India

Daiichi Sankyo Chemical Pharma Co., Ltd., Japan

Daiichi Sankyo Propharma Co., Ltd., Japan

Daiichi Sankyo Development Limited, UK

Ranbaxy Mexico S.A.de C.V., Mexico (from 30 July 2011)

Daiichi Sankyo Inc., USA

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

iii) Subsidiaries including step down subsidiaries / partnership firms

Ranbaxy Drugs and Chemicals Company, India (Company with unlimited liability) #
Solus Pharmaceuticals Limited, India #
Ranbaxy SEZ Limited, India #
Rexcel Pharmaceuticals Limited, India #
Ranbaxy Life Sciences Research Limited, India #
Gufic Pharma Limited, India
Ranbaxy Drugs Limited, India
Solrex Pharmaceuticals Company, India (a Partnership firm)
Ranbaxy (Hong Kong) Limited, Hong Kong
Ranbaxy Inc., USA
Ranbaxy Laboratories Inc., USA
Ranbaxy Egypt (L.L.C.), Egypt
Ranbaxy Farmaceutica Ltda., Brazil
Ranbaxy-PRP-(Peru) S.A.C, Peru
Ranbaxy Australia Pty Ltd., Australia
Ranbaxy Unichem Co. Ltd., Thailand
Ranbaxy Italia S.p.A, Italy
Ranbaxy Malaysia Sdn. Bhd., Malaysia
Ranbaxy (Poland) S. P. Z.O.O, Poland
Ranbaxy Nigeria Limited, Nigeria
Ranbaxy Europe Limited, UK
Ranbaxy (UK) Limited, UK
Basics GmbH, Germany
Ranbaxy Mexico S.A.de C.V., Mexico (upto 29 July 2011)
ZAO Ranbaxy, Russia
Terapia S.A., Romania
Ranbaxy Pharmaceuticals Inc., USA
Ohm Laboratories Inc., USA
Ranbaxy Ireland Limited, Ireland
Ranbaxy (South Africa) Proprietary Limited, South Africa
Laboratorios Ranbaxy S.L., Spain
Ranbaxy Pharmacie Generiques SAS, France
Ranbaxy Pharmaceuticals Canada Inc., Canada
Sonke Pharmaceuticals (Proprietary) Limited, South Africa
Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda, Portugal
Ranbaxy Belgium N.V., Belgium
Be-Tabs Pharmaceuticals (Proprietary) Limited, South Africa
Rexcel Egypt LLC, Egypt
Ranbaxy Morocco LLC, Morocco (from 4 February 2011)
Ranbaxy Pharmaceuticals Ukraine LLC, Ukraine (from 13 June 2012)

iv) Associate company

Zenotech Laboratories Limited, India

v) Key management personnel

Mr. Arun Sawhney, Managing Director (from 20 August 2010 to 4 August 2011) and CEO and Managing Director (from 5 August 2011)

\# Refer to note 14 for details on merger of these subsidiaries with RDL.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

B] Transactions with the related parties

Transactions	Holding Company	Fellow subsidiaries	Subsidiaries	Associate	Key management personnel	Total
Sale of products - export	29.93	459.71	23,680.70	–	–	24,170.34
	(139.95)	–	(41,262.56)	–	–	(41,402.51)
Sale of products - domestic	–	–	53.46	–	–	53.46
	–	–	(35.32)	–	–	(35.32)
Royalty, milestone, technical	–	–	263.95	–	–	263.95
know-how and product development (income)	–	–	(182.17)	–	–	(182.17)
Non-compete fee	–	210.00	–	–	–	210.00
(income recognised)	–	(420.00)	–	–	–	(420.00)
Dividend on non-current investments	–	–	10.04	–	–	10.04
with overseas subsidiaries	–	–	(11.83)	–	–	(11.83)
Proceeds from sale of non-current	–	–	1,774.01	–	–	1,774.01
investments	–	–	–	–	–	–
Profit on sale of non-current	–	–	13.76	–	–	13.76
investment	–	–	–	–	–	–
Purchase of tangible fixed assets	–	–	–	–	–	–
	–	–	(6.00)	–	–	(6.00)
Rental income from property leases	–	126.00	–	–	–	126.00
	–	(126.30)	–	–	–	(126.30)
Other operating revenues - others	36.55	47.11	–	4.92	–	88.58
	(21.67)	(52.66)	–	–	–	(74.33)
Recharge of information technology	–	–	24.57	–	–	24.57
('IT') related cost	–	–	(20.31)	–	–	(20.31)
Purchases of stock-in-trade	–	0.48	1,235.48	14.98	–	1,250.94
	–	–	(1,104.90)	(18.10)	–	(1,123.00)
Business support and	5.51	1.51	930.80	–	–	937.82
market research	(4.54)	–	(575.15)	–	–	(579.69)
Claims and contractual expense	–	–	83.39	–	–	83.39
	–	–	(150.52)	–	–	(150.52)
Procurement cost of exhibit batches	–	–	106.40	–	–	106.40
(included in cost of materials consumed)	–	–	(285.59)	–	–	(285.59)
Regulatory filing expenses	–	–	167.62	–	–	167.62
	–	–	(299.27)	–	–	(299.27)
Clinical trials	–	9.95	88.69	–	–	98.64
	–	–	(118.64)	–	–	(118.64)
Analytical charges	–	–	122.69	–	–	122.69
	–	–	(121.00)	–	–	(121.00)
Travelling and conveyance	1.67	–	–	–	–	1.67
	(8.86)	(0.02)	(0.57)	–	–	(9.45)
Royalty expenses	1.75	–	0.24	–	–	1.99
	(1.28)	–	(0.24)	–	–	(1.52)
Employee benefits expense *	–	–	–	–	108.21	108.21
	–	–	–	–	(54.78)	(54.78)
Reimbursement of employee benefits	82.04	22.95	–	–	–	104.99
expense paid	(55.89)	(26.77)	(0.97)	–	–	(83.63)
Repacking charges	–	–	–	–	–	–
	–	–	(3.99)	–	–	(3.99)

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

Transactions	Holding Company	Fellow subsidiaries	Subsidiaries	Associate	Key management personnel	Total
Reimbursement of other	–	–	310.97	–	–	310.97
expenses paid	–	–	(138.89)	–	–	(138.89)
Reimbursement of other	–	20.03	–	0.43	–	20.46
expenses received	–	(12.82)	–	(2.62)	–	(15.44)
Loans and advances given #	–	–	1,789.70	41.14	–	1,830.84
	–	–	(0.98)	–	–	(0.98)
Advance received from customer	–	–	2,340.24	–	–	2,340.24
	–	–	–	–	–	–
Loans and advances received back	–	–	22.34	–	–	22.34
	–	–	(14.70)	–	–	(14.70)
Letter of comforts given on behalf of	–	–	–	–	–	–
subsidiaries	–	–	(835.26)	–	–	(835.26)
Withdrawal of letter of comforts			344.83			344.83
given on behalf of subsidiaries	–	–	–	–	–	–
Guarantees given on behalf of an	–	–	–	120.00	–	120.00
associate company	–	–	–	–	–	–
Exceptional items:						
Provision for other-than-temporary	–	–	1,030.00	–	–	1,030.00
diminution in the value of non-current investment	–	–	–	–	–	–
Product recall	–	–	2,058.72	–	–	2,058.72
	–	–	–	–	–	–

Figures in brackets are for the year ended 31 December 2011.

* a) On the basis of a legal advice, the Company is of the view that the appointment and payment of remuneration to Mr. Arun Sawhney, CEO and Managing Director for the full year ended 31 December 2011 is in accordance with the conditions stipulated under the Notification no. GSR 534(E) dated 14 July 2011 read with the clarification dated 16 August 2012 issued by the Ministry of Corporate Affairs

b) Does not include liabilities in respect of gratuity, pension and compensated absences as the same is determined on an actuarial basis for the Company as a whole

\# Include proceeds from sale of investments to Ranbaxy Drugs Limited, a subsidiary company, is considered as loan to subsidiary (Refer to note 14)

C] Transaction in excess of 10% of the total related party transactions

Sr. No.	Transactions	Related party relationship	For the year ended 31 December 2012	For the year ended 31 December 2011
1	**Sale of products - export**			
	Ohm Laboratories Inc., USA	Subsidiary company	**9,252.14**	29,657.91
2	**Sale of products - domestic**			
	Solrex Pharmaceuticals Company, India	Subsidiary company	**53.46**	35.32
3	**Royalty, milestone, technical know-how and product development (income)**			
	Ranbaxy Pharmaceuticals Inc., USA	Subsidiary company	**181.20**	122.16
	Ranbaxy Malaysia Sdn. Bhd., Malaysia	Subsidiary company	**61.36**	42.65
4	**Non compete fee (Income recognised)**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**210.00**	420.00
5	**Dividend on non-current investments with overseas subsidiaries**			
	Ranbaxy Malaysia Sdn. Bhd., Malaysia	Subsidiary company	**5.59**	8.04
	Ranbaxy Unichem Co. Ltd., Thailand	Subsidiary company	**2.64**	2.28
	Ranbaxy Nigeria Limited, Nigeria	Subsidiary company	**1.81**	1.51

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

Sr. No.	Transactions	Related party relationship	For the year ended 31 December 2012	For the year ended 31 December 2011
6	**Proceeds from sale of non-current investments**			
	Ranbaxy Drugs Limited, India (Refer to note 14)	Subsidiary company	**1,774.01**	–
7	**Profit on sale of non-current investment**			
	Ranbaxy Drugs and Chemicals Company, India	Subsidiary company	**13.76**	–
8	**Purchase of tangible fixed assets**			
	Ranbaxy Ireland Limited, Ireland	Subsidiary company	**–**	6.00
9	**Rental income from property leases**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**126.00**	126.30
10	**Other operating revenues - others**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**47.11**	52.66
	Daiichi Sankyo Company Limited, Japan	Holding company	**36.55**	21.67
11	**Recharge of IT related cost**			
	Ranbaxy Pharmaceuticals Inc., USA	Subsidiary company	**12.74**	13.75
	Terapia S.A., Romania	Subsidiary company	**4.89**	0.20
12	**Purchases of stock-in-trade**			
	Solrex Pharmaceuticals Company, India	Subsidiary company	**1,143.40**	1,064.69
13	**Business support and market research**			
	Ranbaxy Inc., USA	Subsidiary company	**425.60**	225.89
	Ranbaxy Europe Limited, UK	Subsidiary company	**409.23**	269.36
	Ranbaxy Malaysia Sdn. Bhd., Malaysia	Subsidiary company	**77.09**	70.48
14	**Claims and contractual expense**			
	Ranbaxy Malaysia Sdn. Bhd., Malaysia	Subsidiary company	**51.92**	–
	Basics GmbH, Germany	Subsidiary company	**15.61**	3.53
	Ranbaxy Farmaceutica Ltda., Brazil	Subsidiary company	**15.60**	53.86
	Ohm Laboratories Inc., USA	Subsidiary company	**–**	86.33
15	**Procurement cost of exhibit batches (included in cost of materials consumed)**			
	Ohm Laboratories Inc., USA	Subsidiary company	**105.65**	285.59
16	**Regulatory filing expenses**			
	Ranbaxy (UK) Limited, UK	Subsidiary company	**84.30**	121.31
	Ranbaxy Italia S.p.A, Italy	Subsidiary company	**27.79**	43.33
	Laboratorios Ranbaxy S.L., Spain	Subsidiary Company	**19.17**	16.30
	Terapia S.A., Romania	Subsidiary company	**17.30**	17.88
	Basics GmbH, Germany	Subsidiary company	**8.54**	36.65
17	**Clinical trials**			
	Terapia S.A., Romania	Subsidiary company	**88.69**	118.64
	Ranbaxy Mexico S.A.de C.V., Mexico	Fellow Subsidiary	**9.95**	–
18	**Analytical charges**			
	Ranbaxy Ireland Limited, Ireland	Subsidiary company	**86.35**	90.88
	Terapia S.A., Romania	Subsidiary company	**36.34**	30.12
19	**Travelling and conveyance**			
	Daiichi Sankyo Company Limited, Japan	Holding company	**1.67**	8.86
20	**Royalty expenses**			
	Daiichi Sankyo Company Limited, Japan	Holding company	**1.75**	1.28
	Gufic Pharma Limited, India	Subsidiary company	**0.24**	0.24
21	**Employee benefits expense**			
	Mr. Arun Sawhney	Key management personnel	**108.21**	54.78

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

Sr. No.	Transactions	Related party relationship	For the year ended 31 December 2012	For the year ended 31 December 2011
22	**Reimbursement of employee benefits expense paid**			
	Daiichi Sankyo Company Limited, Japan	Holding company	**82.04**	55.89
	Daiichi Sankyo Inc., USA	Fellow subsidiary	**16.07**	26.77
23	**Repacking charges**			
	Laboratorios Ranbaxy S.L., Spain	Subsidiary Company	**–**	3.04
	Ranbaxy Farmaceutica Ltda., Brazil	Subsidiary Company	**–**	0.62
24	**Reimbursement of other expenses paid**			
	Ranbaxy Australia Pty Ltd., Australia	Subsidiary company	**231.06**	41.59
	Ranbaxy Inc., USA	Subsidiary company	**44.94**	49.48
	Ranbaxy (UK) Limited, UK	Subsidiary company	**11.97**	44.62
25	**Reimbursement of other expenses received**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**20.03**	12.82
	Zenotech Laboratories Limited, India	Associate company	**0.43**	2.62
26	**Loans and advances given**			
	Ranbaxy Drugs Limited, India	Subsidiary company	**1,780.11**	0.38
	Ranbaxy Drugs and Chemicals Company, India	Subsidiary company	**–**	0.40
	Solus Pharmaceuticals Limited, India	Subsidiary company	**–**	0.20
27	**Advance received from customer**			
	Ranbaxy Pharmaceuticals Inc., USA	Subsidiary company	**2,340.24**	–
28	**Loans and advances received back**			
	Rexcel Pharmaceuticals Limited, India	Subsidiary company	**17.94**	6.30
	Solus Pharmaceuticals Limited, India	Subsidiary company	**2.40**	8.00
29	**Letter of comforts given on behalf of subsidiaries**			
	Ranbaxy Nigeria Limited, Nigeria	Subsidiary company	**–**	490.43
	Ranbaxy Pharmacie Generiques SAS, France	Subsidiary company	**–**	344.83
30	**Withdrawal of letter of comforts given on behalf of subsidiaries**			
	Ranbaxy Italia S.p.A, Italy	Subsidiary company	**344.83**	–
31	**Guarantees given on behalf of an associate company**			
	Zenotech Laboratories Limited, India	Associate company	**120.00**	–
32	**Exceptional items:**			
a)	**Provision for other-than-temporary diminution in the value of non-current investment**			
	Ranbaxy Pharmacie Generiques SAS, France	Subsidiary company	**1,030.00**	–
b)	**Product recall**			
	Ranbaxy Pharmaceuticals Inc., USA	Subsidiary company	**1,432.31**	–
	Ohm Laboratories Inc., USA	Subsidiary company	**626.41**	–

D] Balances due from / to the related parties as at 31 December 2012

Sr. No.	Particulars	Holding company	Fellow subsidiaries	Subsidiaries	Associate	Total
1	Trade receivables	0.57	77.69	9,305.07	4.61	9,387.94
		(98.00)	(4.79)	(31,715.46)	(1.89)	(31,820.14)
2	Trade payables - others	27.94	17.91	1,168.01	–	1,213.86
		(43.18)	(4.99)	(1,733.53)	–	(1,781.70)
3	Other current liabilities - security deposit received	–	63.00	–	–	63.00
		–	–	–	–	–
4	Other current liabilities - advance from customers	–	–	2,122.33	–	2,122.33
		–	–	(74.93)	–	(74.93)

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

Sr. No.	Particulars	Holding company	Fellow subsidiaries	Subsidiaries	Associate	Total
5	Other current liabilities - other payables	–	–	1,449.44	–	1,449.44
		–	–	–	–	–
6	Other long-term liabilities- security deposit received	–	–	–	–	–
		–	(63.00)	–	–	(63.00)
7	Short-term loans and advances	–	–	1,783.65	–	1,783.65
		–	–	(25.88)	–	(25.88)
8	Short-term loans and advances - advances to suppliers	–	–	9.59	41.14	50.73
		–	–	–	–	–
9	Letter of comforts on behalf of subsidiaries			3,470.41		3,470.41
		–	–	(3,681.02)	–	(3,681.02)
10	Guarantees given on behalf of an associate company	–	–	–	120.00	120.00
		–	–	–	–	–
11	Other current assets - others	–	–	–	–	–
		–	–	(71.27)	–	(71.27)

Figures in brackets are for the year ended 31 December 2011.

Key management personnel

As at 31 December 2012, amount payable to key management personnel is Rs. 13.41 (previous year Rs. Nil) included under ‘Other current liabilities - payable to employees’.

Further, during the current year and previous year, the Company has granted stock options to Arun Sawhney, key management personnel in respect of which Rs. 4.35 (previous year Rs. 1.18) has been recognised as an expense which is included in ”Employee stock option expense” in note 28 of the Statement of Profit and Loss. The deferred employee stock option expense in respect of such stock options as at 31 December 2012 is Rs. 8.48 (previous year Rs. 5.82).

38. During the quarter ended 31 December 2012, the Company has made a voluntary recall of Atorvastatin Calcium Tablets from the USA market. The amount represents consequential cost (sales return, inventory write off and customer claim) recognised by the Company.

	As at 31 December 2012	As at 31 December 2011
39. Contingent liabilities and commitments		
(to the extent not provided for)		
Contingent liabilities		
i) Guarantees		
(a) Letter of comfort on behalf of subsidiaries, to the extent of limits	**3,470.41**	3,681.02
(b) Corporate bank guarantee on behalf of an associate, to the extent of limits	**120.00**	–
ii) Claims against the Company not acknowledged as debts, under dispute:		
(a) DPCO *	**2,290.41**	2,114.94
(b) Octroi tax matters**	**171.00**	171.00
(c) Other matters***	**195.12**	198.53

* The Company has received demands for payment to the credit of the Drug Prices Equalisation Account under Drugs (Price Control) Order, 1995 (‘DPCO’) which is being contested by the Company in respect of its various products. Further, the Company has deposited Rs. 325.59 (previous year Rs. 325.59) under protest.

** The Company has been contesting a case with the Municipal Corporation of Mohali (MCM) under which MCM is contesting that Octroi has to be paid by the Company at 1% as against 0.5% being paid by the Company. The amount above represents the difference payable.

*** These represent cases pending at various forums on account of employee/worker related cases, State electricity board, Punjab Land Preservation Act, etc.

iii) In respect of matters in (a), (b) and (c) above, the amount represents the demands received under the respective demand/ show cause notices/ legal claims, wherever applicable.

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
iv) Based on direction received in relation to the draft assessment order of Assessment Year (AY) 2008-09, Dispute Resolution Panel (DRP) under the provisions of section 144C of the Income Tax Act, 1961, had instructed the Assessing Officer ('AO') to make additions/ disallowances on various issues including Transfer Pricing and deductions claimed under section 80 IB/IC of the Act to taxable income of the Company. The Company received the final assessment order from the AO in November 2012 whereby demand of Rs 443.39 has been raised against the Company, which has been paid by the Company under protest in full. The Company has challenged the order before the Hon'ble Income Tax Appellate Tribunal ("ITAT") and pending disposal of the matter considers the amount of tax liability as unascertainable.		
Further, during the month of February 2013, the Company has received order from Transfer Pricing Officer ('TPO') for AY 2009-10 vide which the TPO has directed the AO to enhance the taxable income of the Company. The Company intends to challenge the additions proposed by the TPO before the appropriate authority(s) and accordingly, considers the amount of tax liability as unascertainable at this stage.		
v) The Company, directly or indirectly through its subsidiaries, severally or jointly is also involved in certain patents and product liability disputes as at the year end. Due to the nature of these disputes and also in view of significant uncertainty of outcome, the Company believes that the amount of exposure cannot be currently determinable.		
Commitments		
i) Estimated amount of contracts remaining to be executed on capital on account and not provided for (net of advances)	757.97	816.10
ii) Non cancellable lease commitments (Refer to note 30)	448.04	496.86
iii) Uncalled liability on investment in partly paid-up preference shares of Ranbaxy Life Sciences Research Limited	–	1,800.00

40. Details of imported and indigenous raw materials, packing materials and stores and spare parts consumed during the year

			For the year ended 31 December 2012	For the year ended 31 December 2011
a)	Consumption of raw materials			
	Indigenous	Amount (Rs.)	**4,679.10**	6,451.15
		As % of total	**36.07%**	41.26%
	Imported	Amount (Rs.)	**8,294.62**	9,185.36
		As % of total	**63.93%**	58.74%
		Total amount (Rs.)	**12,973.72**	15,636.51
		Total %	**100.00%**	100.00%
b)	Packing materials			
	Indigenous	Amount (Rs.)	**2,000.43**	1,820.29
		As % of total	**86.49%**	82.27%
	Imported	Amount (Rs.)	**312.46**	392.33
		As % of total	**13.51%**	17.73%
		Total amount (Rs.)	**2,312.89**	2,212.62
		Total %	**100.00%**	100.00%
c)	Store and spares parts			
	Indigenous	Amount (Rs.)	**1,013.79**	893.70
		As % of total	**87.83%**	88.10%
	Imported	Amount (Rs.)	**140.48**	120.67
		As % of total	**12.17%**	11.90%
		Total amount (Rs.)	**1,154.27**	1,014.37
		Total %	**100.00%**	100.00%

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	2012	2011
41. Value of imports on CIF basis		
Raw materials (including packing materials)	**7,179.75**	7,592.69
Components, stores and spare parts	**145.75**	134.29
Capital goods	**472.49**	560.78
	7,797.99	8,287.76
42. Expenditure in foreign currency		
Royalty	**3.81**	47.18
Legal and professional	**2,101.78**	1,363.52
Interest	**1,119.38**	422.17
Settlement provision	**–**	26,480.00
Claims and contractual expense (refer to note 30)	**3,904.16**	14,975.49
Product recall (refer to note 38)	**2,058.72**	–
Others *	**4,841.06**	4,424.11
	14,028.91	47,712.47

* Others include overseas personnel expenses, advertisement and sales promotion, regulatory filling fees, brokerage and commission, business support and market research, rent, clinical trials, analytical charges, travelling and conveyance, etc.

	2012	2011
43. Earnings in foreign currency		
Exports on F.O.B. basis (excluding sales made to customers located in Nepal)	**37,856.87**	54,114.79
Royalty, milestone, technical know-how and product development	**538.17**	613.16
Interest	**104.54**	131.18
Dividend	**10.04**	11.83
Others (freight/ insurance recoveries and other operating revenues)	**1,006.10**	944.20
	39,515.72	55,815.16
44. Dividend remittances in foreign currency		
Final dividend **		
Year to which dividend relates	**–**	Year ended 31 December 2010
Amount remitted during the year (in Rs. - not in millions)	**–**	88,448
Number of non-resident shareholders	**–**	25
Number of shares on which dividend was due	**–**	44,224

** Excluding corporate dividend tax

	Balance as at 31 December		Maximum balance during the year ended 31 December	
	2012	**2011**	**2012**	**2011**
45. Information pursuant to clause 32 of the listing agreements with stock exchanges				
Loans and advances in the nature of loans to wholly-owned subsidiary companies are as under:				
Interest free with no specified payment schedule:				
a) Ranbaxy Drugs Limited	**1,783.65**	3.54	**1,783.65**	3.54
b) Rexcel Pharmaceuticals Limited	**–**	17.94	**17.94**	24.24
c) Solus Pharmaceuticals Limited	**–**	2.40	**2.40**	10.40
d) Ranbaxy Life Sciences Research Limited	**–**	2.00	**2.00**	2.00
	1,783.65	25.88	**1,805.99**	40.18
Interest bearing with no specified payment schedule:				
a) Ranbaxy Drugs and Chemicals Company	**–**	–	**–**	0.40
	–	–	**–**	0.40
	1,783.65	25.88	**1,805.99**	40.58

Notes to the financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

46. Segment information

In accordance with AS 17, "Segment Reporting", segment information has been given in the consolidated financial statements of the Company, and therefore, no separate disclosure on segment information is given in these financial statements.

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No.: 089826

Place: Gurgaon
Date: 26 February 2013

For and on behalf of the Board of Directors of **Ranbaxy Laboratories Limited**

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place: Gurgaon
Date: 26 February 2013

Statement Regarding Subsidiary Companies Pursuant to Sections 212(3) & 212(5) of the Companies Act, 1956

Name of Subsidiary Company	Financial year to which accounts relate	Holding Company's interest as at close of financial year of subsidiary company	Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's account		Net aggregate amount of subsidiary company's profit after deducting its losses or vice-versa, dealt within the Company's accounts		Holding Company's interest as at December 31, 2012 incorporating changes since close of financial year of Subsidiary Company
		Shareholding %age	**For the current financial year {Profit / (Loss)} Rs. Million**	For the previous financial years {Profit / (Loss)} Rs. Million	**For the current financial year Rs. Million**	For the previous financial years Rs. Million	
Domestic :							
Solus Pharmaceuticals Limited @@	2012	100.00	**141.56**	156.13	**Nil**	Nil	No change
Vidyut Investments Limited	2012	100.00	**1.01**	1.14	**Nil**	Nil	No change
Ranbaxy Drugs and Chemicals Company @@ (A public company with unlimited liability)	2012	100.00	**5.88**	5.63	**Nil**	Nil	No change
Ranbaxy Drugs Limited	2012	100.00	**(0.23)**	(0.08)	**Nil**	Nil	No change
Ranbaxy SEZ Limited @@	2012	100.00	**(0.11)**	(0.03)	**Nil**	Nil	No change
Rexcel Pharmaceuticals Limited @@	2012	100.00	**141.18**	155.24	**Nil**	Nil	No change
Gufic Pharma Limited	2012	100.00	**0.35**	0.26	**Nil**	Nil	Change from 98 to 100
Ranbaxy Life Sciences Research Ltd.@@	2012	100.00	**18.77**	16.35	**Nil**	Nil	Change from 80.07 to 100
Overseas :							
Ranbaxy Malaysia Sdn. Bhd. Malaysia	2012	71.22	**117.99**	91.74	**5.59**	8.04	No change
Ranbaxy (Hong Kong) Limited Hong Kong	2012	100.00	**(0.39)**	12.95	**Nil**	Nil	No change
Basics GmbH Germany	2012	100.00	**(63.53)**	(145.12)	**Nil**	Nil	No change
Ranbaxy GmbH (w.e.f 9 November 2012) Germany	2012	100.00	**(0.07)**	NA	**Nil**	Nil	Incorporated during the year
Ranbaxy (S.A.) (Proprietory) South Africa	2012	100.00	**173.87**	123.71	**Nil**	Nil	No change
Sonke Pharmaceuticals (Pty) Ltd South Africa	2012	68.40	**119.08**	(43.88)	**Nil**	Nil	No change
Ranbaxy Egypt (L.L.C.) Egypt	2012	100.00	**42.99**	30.86	**Nil**	Nil	No change
Rexcel Egypt (L.L.C.) Egypt	2012	100.00	**5.83**	7.53	**Nil**	Nil	No change
Ranbaxy (U.K.) Ltd. United Kingdom	2012	100.00	**52.29**	(216.92)	**Nil**	Nil	No change
Ranbaxy Poland S.P. Z.o.o. Poland	2012	100.00	**12.62**	23.47	**Nil**	Nil	No change
Ranbaxy Do Brazil Ltda @ Brazil	2012	Nil	**-**	-	**Nil**	Nil	@
Ranbaxy Nigeria Ltd. Nigeria	2012	85.31	**50.81**	94.99	**1.81**	1.51	No change
Ranbaxy Unichem Company Ltd. Thailand	2012	89.09	**12.59**	(1.78)	**2.64**	2.28	No change

Name of Subsidiary Company	Financial year to which accounts relate	Holding Company's interest as at close of financial year of subsidiary company	Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's account		Net aggregate amount of subsidiary company's profit after deducting its losses or vice-versa, dealt within the Company's accounts		Holding Company's interest as at December 31, 2012 incorporating changes since close of financial year of Subsidiary Company
		Shareholding %age	**For the current financial year {Profit / (Loss)} Rs. Million**	For the previous financial years {Profit / (Loss)} Rs. Million	**For the current financial year Rs. Million**	For the previous financial years Rs. Million	
Ranbaxy Pharmaceuticals Ukraine LLC (w.e.f 13 June 2012) Ukraine	2012	100.00	**(10.09)**	NA	**NA**	NA	Incorporated during the year
Ranbaxy Morocco LLC Morocco	2012	100.00	**(34.36)**	(11.08)	**Nil**	Nil	No change
Ranbaxy Farmaceutica Ltda. Brazil	2012	100.00	**(261.83)**	39.16	**Nil**	Nil	No change
Ranbaxy-PRP (Peru) S.A.C. Peru	2012	100.00	**(72.06)**	12.45	**Nil**	Nil	No change
Ranbaxy Europe Ltd. United Kingdom	2012	100.00	**24.60**	13.99	**Nil**	Nil	No change
Ranbaxy Pharmaceutical, Inc. USA	2012	100.00	**3,045.95**	1,473.51	**Nil**	Nil	No change
Ranbaxy, Inc, USA	2012	100.00	**(9.34)**	(1.54)	**Nil**	Nil	No change
Ranbaxy USA, Inc. USA	2012	100.00	**10.48**	10.15	**Nil**	Nil	No change
Ohm Laboratories Inc. USA	2012	100.00	**1,920.23**	1,402.23	**Nil**	Nil	No change
Ranbaxy Laboratories Inc. USA	2012	100.00	**(239.66)**	(262.96)	**Nil**	Nil	No change
Ranbaxy Signature LLC, USA USA	2012	67.50	**(0.02)**	(4.73)	**Nil**	Nil	No change
Ranbaxy (Netherlands) B.V. ("RNBV") The Netherlands	2012	100.00	**1,645.31**	(875.50)	**Nil**	Nil	No change
Ranbaxy Holdings (U.K.) Ltd. United Kingdom	2012	100.00	**(1.84)**	(0.48)	**Nil**	Nil	No change
Ranbaxy Ireland Ltd. Ireland	2012	100.00	**136.54**	55.73	**Nil**	Nil	No change
ZAO Ranbaxy Russia	2012	100.00	**292.90**	(29.32)	**Nil**	Nil	No change
Ranbaxy Pharmacie Generiques SAS France	2012	100.00	**(965.04)**	(315.51)	**Nil**	Nil	No change
Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda Portugal	2012	100.00	**(59.24)**	(71.89)	**Nil**	Nil	No change
Laboratorios Ranbaxy, S.L. Spain	2012	100.00	**43.79**	29.08	**Nil**	Nil	No change
Office Pharmaceutique Industriel Et Hospitalier SARL ("OPIH SARL") France	2012	100.00	**(2.13)**	(13.84)	**Nil**	Nil	No change

Name of Subsidiary Company	Financial year to which accounts relate	Holding Company's interest as at close of financial year of subsidiary company	Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's account		Net aggregate amount of subsidiary company's profit after deducting its losses or vice-versa, dealt within the Company's accounts		Holding Company's interest as at December 31, 2012 incorporating changes since close of financial year of Subsidiary Company
		Shareholding %age	**For the current financial year {Profit / (Loss)} Rs. Million**	For the previous financial years {Profit / (Loss)} Rs. Million	**For the current financial year Rs. Million**	For the previous financial years Rs. Million	
Ranbaxy Australia Pty. Ltd. Australia	2012	100.00	**(452.11)**	(143.50)	**Nil**	Nil	No change
Ranbaxy Pharmaceuticals Canada Inc. Canada	2012	100.00	**(38.46)**	188.59	**Nil**	Nil	No change
Ranbaxy Italia S.p.A Italy	2012	100.00	**1.98**	(76.39)	**Nil**	Nil	No change
Terapia S.A. Romania	2012	96.70	**1,492.75**	1,470.07	**Nil**	Nil	No change
Terapia Distributie SRL @ Romania	2012	Nil	**@**	12.73	**Nil**	Nil	@
Ranbaxy Belgium N.V. Belgium	2012	100.00	**10.94**	(5.51)	**Nil**	Nil	No change
Ranbaxy Pharma AB Sweden	2012	100.00	**6.81**	-	**Nil**	Nil	No change
Be-Tabs Pharmaceuticals (Proprietary) Ltd. South Africa	2012	100.00	**(408.14)**	(466.17)	**Nil**	Nil	No change
Be-Tabs Investments (Proprietary) Ltd. South Africa	2012	100.00	**(0.13)**	19.22	**Nil**	Nil	No change

Note:

In terms of general exemption granted by the Ministry of Corporate Affairs vide its circular no. 02/2011 dated February 8, 2011 and approval of the Board of Directors of the Company at its meeting held on February 26, 2013, the annual accounts of the subsidiary companies and the related detailed information will be made available upon request by the investors of the Company and of its subsidiary companies. These documents will also be available for inspection by any investor at the Head Office of the Company at 12th Floor, Devika Tower, 6, Nehru Place, New Delhi - 110019, and that of the subsidiary companies concerned.

@ Merged/ liquidated during the year
Ranbaxy Do Brazil Ltda
Terapia Distributie S.R.L. merged with Terapia S.A.

@@ The Hon'ble High Court of Delhi and the Hon'ble High Court of Punjab and Haryana at Chandigarh have approved the Scheme of Merger of five of the Company's wholly owned subsidiaries viz Ranbaxy Drugs and Chemical Company, Ranbaxy Life Sciences Research Limited, Ranbaxy SEZ Limited, Solus Pharmaceuticals Limited and Rexcel Pharmaceuticals Limited with Ranbaxy Drugs Limited ("RDL"), another wholly owned subsidiary of the Company from appointed date of 1st April, 2012. The Scheme will become effective on filing of the orders with the respective Registrar of Companies.

For and on behalf of the Board of Directors of **Ranbaxy Laboratories Limited**

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place: Gurgaon
Date: 26 February 2013

Auditors' Report to the Board of Directors of Ranbaxy Laboratories Limited on the consolidated financial statements of Ranbaxy Laboratories Limited and its subsidiaries and associate

1 We have audited the attached consolidated Balance Sheet of Ranbaxy Laboratories Limited, ('the Company') its subsidiaries and associate (collectively referred to as 'the Group') as at 31 December 2012, and also the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement (collectively referred to as 'consolidated financial statements') of the group for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 We did not audit the financial statements and other financial information of certain subsidiaries and of an associate (interests in which have been incorporated in these consolidated financial statements). These subsidiaries and associate account for 21% of total assets, 28% of total revenue and 21% of net cash provided by operating activities (on a stand-alone entity basis), as shown in these consolidated financial statements. Of the above:

(a) The financial statements and other financial information of some of the subsidiaries incorporated outside India, as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP'), have been audited by other auditors duly qualified to act as auditors in those countries. These subsidiaries account for 17% of total assets, 25% of total revenue included in exceptional items and 13% of net cash provided by operating activities (on a stand-alone entity basis) as shown in these consolidated financial statements. For the purpose of preparation of the consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the management of the said entities so that these conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to consolidated financial statements under the generally accepted accounting principles in India. The reporting packages made for this purpose have been audited by the other auditors and reports of those other auditors have been furnished to us. Our opinion on the consolidated financial statements, insofar as it relates to these entities, is based on the aforesaid audit reports of those other auditors.

(b) The financial statements and other financial information of the remaining subsidiaries and associate have not been subjected to audit either by us or by other auditors, and therefore, unaudited financial statements for the year ended 31 December 2012 of these entities have been furnished to us by the management. These subsidiaries and associate account for 4% of total assets, 3% of revenue and 8% of net cash provided by operating activities (on a stand-alone entity basis) as shown in these consolidated financial statements, and therefore are not material to the consolidated financial statements, either individually or in the aggregate.

4 We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 – "Consolidated Financial Statements" and Accounting Standard 23 – "Accounting for Investments in Associates in Consolidated Financial Statements" prescribed by the Companies (Accounting Standards) Rules, 2006.

5 Without qualifying our opinion, we draw attention to Note 36 of the consolidated financial statements, wherein it has been stated that on the basis of a legal advice, the Company is of the view that the appointment of and payment of remuneration to Mr. Arun Sawhney, CEO and Managing Director for the full year ended 31 December 2011 is in accordance with the conditions stipulated under Notification no. GSR 534(E) dated 14 July 2011 read with the clarification dated 16 August 2012 issued by the Ministry of Corporate Affairs.

6 Based on our audit, and to the best of our information and according to the explanations given to us, and on consideration of reports of other auditors on separate financial statements, and on consideration of the unaudited financial statements and on other relevant financial information of the components, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

(a) the consolidated Balance Sheet, of the state of affairs of the Group as at 31 December 2012;

(b) the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

(c) the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For B S R & Co.
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 26 February 2013

Consolidated Balance Sheet as at 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	(Note)	As at 31 December 2012	As at 31 December 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	**2,114.57**	2,110.00
Reserves and surplus	4	**38,717.59**	26,577.16
		40,832.16	28,687.16
Share application money pending allotment	5	**11.10**	6.66
Minority interest		**889.52**	809.66
Non-current liabilities			
Long-term borrowings	6	**19,712.83**	9,749.54
Deferred tax liabilities (net)	15	**132.04**	76.57
Other long-term liabilities	7	**10,510.84**	16,104.40
Long-term provisions	8	**2,909.02**	2,463.31
		33,264.73	28,393.82
Current liabilities			
Short-term borrowings	9	**28,749.07**	30,577.60
Trade payables	10	**16,213.71**	14,230.88
Other current liabilities	11	**14,871.49**	26,189.81
Short-term provisions	8	**29,820.21**	28,305.42
		89,654.48	99,303.71
TOTAL		**164,651.99**	157,201.01
ASSETS			
Non-current assets			
Fixed assets			
Tangible fixed assets	12	**28,566.87**	27,045.12
Intangible fixed assets	13	**21,510.69**	21,257.58
Capital work-in-progress		**1,934.62**	2,183.58
Intangible fixed assets under development		**143.57**	86.31
Non-current investments	14	**769.92**	955.74
Deferred tax assets (net)	15	**488.67**	451.67
Long-term loans and advances	16	**10,812.70**	10,052.32
Other non-current assets	17	**301.62**	55.27
		64,528.66	62,087.59
Current assets			
Current investments	18	**20.48**	26.46
Inventories	19	**27,313.54**	26,107.14
Trade receivables	20	**20,367.84**	30,053.08
Cash and bank balances	21	**46,004.45**	30,636.68
Short-term loans and advances	16	**4,595.32**	4,711.09
Other current assets	22	**1,821.70**	3,578.97
		100,123.33	95,113.42
TOTAL		**164,651.99**	157,201.01
Significant accounting policies	2		

The notes referred to above form an integral part of these consolidated financial statements

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No.: 089826

Place: Gurgaon
Date: 26 February 2013

For and on behalf of the Board of Directors of **Ranbaxy Laboratories Limited**

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place: Gurgaon
Date: 26 February 2013

Consolidated Statement of Profit and Loss for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
INCOME			
Revenue from operations			
Sale of products (gross)	23	121,942.33	99,864.07
Less: Excise duty		279.14	190.48
Sale of products (net)		121,663.19	99,673.59
Sale of services		865.75	26.43
Other operating revenues		2,068.33	3,589.88
		124,597.27	103,289.90
Other income	24	2,907.36	2,559.18
Total revenue		127,504.63	105,849.08
EXPENSES			
Cost of materials consumed	25	20,609.33	22,994.56
Purchases of stock-in-trade	26	18,863.07	13,220.11
Change in inventories of finished goods, work-in-progress and stock-in-trade	27	1,128.77	(2,879.15)
Employee benefits expense	28	19,284.15	16,450.83
Finance costs	29	3,036.00	3,064.24
Depreciation and impairment	12	2,647.71	3,438.59
Amortisation	13	554.76	501.57
Other expenses	30	46,660.31	38,578.29
Total expenses		112,784.10	95,369.04
Profit before exceptional items, tax, share in loss of associates (net) and minority interest		14,720.53	10,480.04
Exceptional items:			
Settlement provision	8	–	26,480.00
Product recall	39	1,859.54	–
(Profit) on sale of subsidiaries	40	–	(377.99)
Loss on foreign currency option derivatives, net (other than on loans)		412.05	11,242.85
Profit/ (loss) before tax, share in loss of associates (net) and minority interest		12,448.94	(26,864.82)
Income tax expense			
Current tax	31	2,912.58	1,959.62
Deferred tax	31	26.46	9.72
Profit/ (loss) after tax and before share in loss of associates (net) and minority interest		9,509.90	(28,834.16)
Less:			
Share in loss of associates (net)	32	185.82	65.90
Minority interest in profit for the year (net)	33	96.44	97.23
Profit/ (loss) after tax, share of loss of associates (net) and minority interest		9,227.64	(28,997.29)
Earnings/ (loss) per equity share [par value of Rs. 5 (previous year Rs. 5) per equity share]	34		
Basic		21.87	(68.81)
Diluted		21.78	(68.81)
Significant accounting policies	2		

The notes referred to above form an integral part of these consolidated financial statements

As per our report of even date attached

For and on behalf of the Board of Directors of **Ranbaxy Laboratories Limited**

For **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Vikram Aggarwal
Partner
Membership No.: 089826

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place: Gurgaon
Date: 26 February 2013

Place: Gurgaon
Date: 26 February 2013

Consolidated Cash Flow Statement for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

	For the year ended 31 December 2012	For the year ended 31 December 2011
A. Cash flow from operating activities		
Net profit/ (loss) before taxes	**12,448.94**	(26,864.82)
Adjustments for:		
Depreciation and impairment	**2,647.71**	3,438.59
Amortisation	**554.76**	501.57
Fixed assets written off	**45.58**	110.06
Employee stock option expense	**222.47**	78.32
Provision for diminution in value of current investments, net	**5.99**	13.23
Finance costs	**3,036.00**	3,064.24
Provision/ (reversal) / write-off of doubtful trade receivables, loans and advances and other assets	**280.03**	151.48
Non-compete fee	**(210.00)**	(420.00)
Foreign exchange loss, net (Refer to note 4 below)	**843.75**	1,198.22
Unrealised foreign exchange (gain)/ loss on currency options	**(5,341.23)**	9,636.89
(Profit) on sale of subsidiaries	**–**	(377.99)
Unclaimed balances/ excess provision written back	**(26.76)**	(114.04)
Profit on sale of fixed assets, net	**(35.96)**	(153.14)
Interest income	**(2,549.80)**	(1,127.18)
	(527.46)	16,000.25
Operating cash flow before working capital changes	**11,921.48**	(10,864.57)
Adjustments for:		
Increase in inventories	**(881.57)**	(3,096.88)
Decrease/ (increase) in trade receivables	**10,856.67**	(11,707.22)
Decrease/ (increase) in loans and advances and other assets	**1,081.59**	(1,087.37)
(Decrease)/ increase in trade payables, other liabilities and provisions	**(4,027.22)**	35,341.58
	7,029.47	19,450.11
Cash generated from operations before taxes	**18,950.95**	8,585.54
Income taxes paid, net of refund	**(3,129.95)**	(2,197.49)
Net cash provided by operating activities	**15,821.00**	6,388.05
B. Cash flow from investing activities		
Purchase of fixed assets	**(4,767.10)**	(4,773.45)
Proceeds from sale of fixed assets	**117.85**	287.23
(Increase)/ decrease in deposit accounts (having original maturity of more than three months)	**(15,853.57)**	15,091.75
Proceeds from sale of investments	**–**	3,923.44
Cash paid for acquisition of minority interest	**(20.71)**	(18.72)
Proceeds from sale of subsidiaries (net of withholding tax and cash transferred)	**–**	241.53
Interest received	**2,320.35**	1,935.32
Net cash (used)/ provided by investing activities	**(18,203.18)**	16,687.10
C. Cash flow from financing activities		
Proceeds from issue of equity share capital (including securities premium)	**159.33**	147.98
Proceeds from issue of commercial papers	**3,879.93**	8,355.01
Re-payment of commercial papers	**(9,800.00)**	–
Increase in other short term bank borrowings (net)	**2,645.98**	4,485.43
Proceeds from long-term bank borrowings	**5,196.38**	4,023.41
Re-payment of long-term borrowings (Refer to note 5 below)	**(3,319.00)**	(27,506.56)
Long-term borrowings from redeemable non-convertible debentures	**5,000.00**	–
Finance costs paid	**(1,393.38)**	(702.50)
Dividend paid	**–**	(842.73)
Tax on dividend	**–**	(136.71)
Net cash provided/ (used) by financing activities	**2,369.24**	(12,176.67)
(Decrease)/ increase in cash and cash equivalents	**(12.94)**	10,898.48
Cash and cash equivalents at the beginning of the year	**18,829.56**	6,812.10
Effect of exchange (loss)/ gain on cash and cash equivalents	**(509.56)**	1,118.98
Cash and cash equivalents at the end of the year	**18,307.06**	18,829.56
Notes to Consolidated Cash Flow Statement:		
1. Components of cash and cash equivalents (Refer to note 21):		
Cash on hand	**11.26**	7.39
Cheques on hand	**0.48**	21.20
Remittances in transit	**65.41**	92.78
With banks in:	**–**	–
Current accounts	**5,782.93**	7,761.06
Deposit accounts	**12,446.98**	10,947.13
Cash and cash equivalents at the end of the year	**18,307.06**	18,829.56
Add: other bank balance		
Unclaimed dividend	**39.90**	51.97
Fixed deposits with original maturity of more than three months but remaining maturity of less than twelve months	**27,657.49**	11,755.15
Cash and bank balances at the end of the year	**46,004.45**	30,636.68

2. The Consolidated Cash Flow Statement has been prepared in accordance with the 'Indirect Method' specified in Accounting Standard 3, Cash Flow Statement, notified by Central Government in the Companies (Accounting Standard) Rules, 2006.
3. Refer to note 21 for cash and cash equivalents balances held by the Company that are not freely remissible to the Company on account of statutory regulations.
4. Foreign exchange loss, net includes realised loss/ (gain) on items in investing and financing activities.
5. Includes premium paid on redemption of zero coupon foreign currency convertible bonds (FCCBs) and taking into account impact of related derivative instruments/forward contracts.

The notes referred to above form an integral part of these consolidated financial statements

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No.: 089826

Place: Gurgaon
Date: 26 February 2013

For and on behalf of the Board of Directors of **Ranbaxy Laboratories Limited**

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place: Gurgaon
Date: 26 February 2013

Notes to the consolidated financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

1. Company overview

Ranbaxy Laboratories Limited ('the Company' or 'Parent Company') together with its subsidiaries and associates (collectively referred to as "the Group"), operates as an integrated international pharmaceutical organisation with businesses encompassing the entire value chain in the marketing, production and distribution of pharmaceuticals products.

The Group presently owns manufacturing facilities in seven countries, namely India, the United States of America, Ireland, Malaysia, Nigeria, Romania and South Africa. The Group's major markets include the United States of America, India, Europe, Russia/ CIS and South Africa. The research and development activities of the Group are principally carried out at its facilities in Gurgaon, near New Delhi, India.

The Company's shares are listed for trading on the National Stock Exchange and the Bombay Stock Exchange in India. Its Global Depository Shares (representing equity shares of the Company) are listed on the Luxembourg Stock Exchange. During the current year, the Company has issued redeemable non-convertible debentures which are listed for trading on the National Stock Exchange in India.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements.

a. Basis of preparation of financial statements

These consolidated financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, guidelines issued by Securities and Exchange Board of India (SEBI) and accounting principles generally accepted in local laws, to the extent applicable. The consolidated financial statements are presented in Indian rupees rounded off to the nearest million, in the same format as that adopted by the Parent Company for its standalone financial statements.

This is the first year of application of the Revised Schedule VI to the Companies Act, 1956 for the preparation of the financial statements of the Company, to the extent considered applicable. The revised Schedule VI introduces some significant conceptual changes as well as new disclosures. These include classification of all assets and liabilities into current and non-current. The previous year figures have also undergone significant reclassification to comply with the requirements of the Revised Schedule VI.

b. Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and associates (collectively known as "the Group") and have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and unrealized profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the Balance Sheet of the Parent Company and its share in the post-acquisition increase/decrease in the reserves of the consolidated entities.

An investment in an associate has been accounted for by the equity method of consolidation from the date on which it falls within the definition of associates in accordance with Accounting Standard (AS) -23 "Accounting for Investments in Associates in Consolidated Financial Statements".

The excess/ deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which investment in such entities was made is recognized in the consolidated financial statements as goodwill/ capital reserve. The Parent Company's portion of net worth in such entities is determined on the basis of book values of assets and liabilities as per the financial statements of the entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant changes.

Entities acquired/ sold during the year have been consolidated from/ up to the respective date of their acquisition/ disposal.

Notes to the consolidated financial statements for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

The details of the consolidated entities are as follows:

Name of subsidiaries / associates	Country of incorporation	Effective group shareholding (%)
Subsidiaries		
Ranbaxy Australia Proprietary Ltd.	Australia	100.00
Ranbaxy Belgium N.V.	Belgium	100.00
Ranbaxy Farmaceutica Ltda.	Brazil	100.00
Ranbaxy Do Brazil Ltda (liquidated on 7 November 2012)	Brazil	100.00
Ranbaxy Pharmaceuticals Canada Inc.	Canada	100.00
Ranbaxy Egypt (L.L.C.)	Egypt	100.00
Rexcel Egypt (L.L.C.)	Egypt	100.00
Ranbaxy Pharmacie Generiques SAS	France	100.00
Office Pharmaceutique Industriel et Hospitalier SARL	France	100.00
Basics GmbH	Germany	100.00
Ranbaxy GmbH (w.e.f 9 November 2012)	Germany	100.00
Ranbaxy (Hong Kong) Limited $	Hong Kong	100.00
Ranbaxy Drugs and Chemicals Company @@ (Company with unlimited liability)	India	100.00
Ranbaxy Drugs Limited	India	100.00
Rexcel Pharmaceuticals Limited @@	India	100.00
Solus Pharmaceuticals Limited @@	India	100.00
Solrex Pharmaceuticals Company #	India	100.00
Vidyut Investments Limited	India	100.00
Ranbaxy SEZ Limited @@	India	100.00
Gufic Pharma Limited (98% till 21 March 2012)	India	100.00
Ranbaxy Life Sciences Research Limited (80.07% till 29 February 2012) @@	India	100.00
Ranbaxy Ireland Limited	Ireland	100.00
Ranbaxy Italia S.p.A	Italy	100.00
Ranbaxy Malaysia Sdn. Bhd.	Malaysia	71.22
Ranbaxy Mexico S.A.de C.V. (up to 29 July 2011)	Mexico	100.00
Ranbaxy Mexico Servicios.de C.V.,Mexico (up to 29 July 2011)	Mexico	100.00
Ranbaxy Nigeria Limited.	Nigeria	85.31
Ranbaxy PRP (Peru) SAC.	Peru	100.00
Ranbaxy Poland S.P. Zoo	Poland	100.00
Ranbaxy Portugal - Com E Desenvolv DeProd Farmaceuticos Unipessoal Lda %	Portugal	100.00
Terapia S.A.	Romania	96.70
Terapia Distributie S.R.L. (merged with Terapia S.A. w.e.f 7 Feburary 2012)	Romania	96.70
ZAO Ranbaxy	Russia	100.00
Ranbaxy South Africa Proprietary Limited	South Africa	100.00
Be-Tabs Pharmaceuticals (Proprietary) Ltd.	South Africa	100.00
Be-Tabs Investments (Proprietary) Ltd.	South Africa	100.00
Sonke Pharmaceuticals (Proprietary) Ltd.	South Africa	68.40
Laboratories Ranbaxy, S.L.	Spain	100.00
Ranbaxy Pharma AB	Sweden	100.00
Ranbaxy (Netherlands) BV	The Netherlands	100.00

Notes to the consolidated financial statements for the year ended 31 December 2012
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Name of subsidiaries / associates	Country of incorporation	Effective group shareholding (%)
Ranbaxy Unichem Co. Ltd ^	Thailand	89.09
Ranbaxy (UK) Limited.	United Kingdom	100.00
Ranbaxy Holdings (UK) Ltd.	United Kingdom	100.00
Ranbaxy Europe Limited	United Kingdom	100.00
Ranbaxy Inc.	United States of America	100.00
Ranbaxy Pharmaceuticals, Inc.	United States of America	100.00
Ranbaxy USA, Inc.	United States of America	100.00
Ohm Laboratories, Inc.	United States of America	100.00
Ranbaxy Laboratories, Inc.	United States of America	100.00
Ranbaxy Signature LLC	United States of America	67.50
Ranbaxy Morocco LLC (w.e.f. 4 February 2011)	Morocco	100.00
Ranbaxy Pharmaceuticals Ukraine LLC (w.e.f 13 June 2012)	Ukraine	100.00
Associates		
Zenotech Laboratories Limited	India	46.84
Shimal Research Limited (Significant influence ceased w.e.f 30 June 2011)	India	24.91

\# A partnership firm, in which three subsidiaries (two till 21 March 2012) of the Parent Company are partners.

@@ The Hon'ble High Court of Delhi and the Hon'ble High Court of Punjab & Haryana at Chandigarh has approved the scheme of merger of these companies with Ranbaxy Drugs Limited from appointed date of 1 April 2012. The scheme will become effective on filing of the orders with the Registrar of Companies.

$ The entity has filed for Members' Voluntary Liquidation in December 2012.

% Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda has closed its operation in current year and will file for liquidation in 2013.

^ In December 2012, the Company approved the proposal to integrate the business operations and management of Ranbaxy Unichem Co. Ltd. ('Unichem'), its subsidiary, with Daiichi Sankyo (Thailand) Ltd, a subsidiary of Daiichi Sankyo.

c. Use of estimates

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities on the date of the consolidated financial statements. Examples of such estimates include provision against litigations, provisions of future obligation under employee benefit plans, the useful lives of fixed assets, provision for sales return, provision for customer claims, provision for expiry of drugs and impairment of assets.

Further, in the United States of America, certain rebates and allowances including charge-backs and price equalization etc. which are given to customers are recorded as reductions from the gross revenues. The computation of the estimate for these rebates and allowances involves significant judgment based on various factors including historical experience, estimated inventory levels and expected sell-through levels in supply chain. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

d. Current-non-current classification

All assets and liabilities have been classified as current or non-current as per the normal operating cycle of each entity of the Group and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets

An asset is classified as current when it satisfies any of the following criteria:

a. it is expected to be realised in, or is intended for sale or consumption in, the normal operating cycle of each entity of the Group;

b. it is held primarily for the purpose of being traded;

c. it is expected to be realised within 12 months after the reporting date; or

d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Notes to the consolidated financial statements for the year ended 31 December 2012
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Liabilities

A liability is classified as current when it satisfies any of the following criteria:

a. it is expected to be settled in the normal operating cycle of each entity of the Group;

b. it is held primarily for the purpose of being traded;

c. it is due to be settled within 12 months after the reporting date; or

d. the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

e. Fixed assets

Tangible fixed assets and depreciation

Tangible fixed assets, except assets which are revalued, are stated at the cost of acquisition or construction, less accumulated depreciation and impairment losses, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any attributable costs of bringing the asset to its working condition for its intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid towards acquisition of tangible fixed assets outstanding at each Balance Sheet date are shown under long-term loans and advances and cost of assets not ready for intended use before the year end, are shown as capital work-in-progress.

Subsequent expenditure related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Group in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Revalued tangible fixed assets are carried at fair value less accumulated depreciation/impairment. In case of revaluation of tangible fixed assets, any increase in net book value arising on revaluation is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as a charge in the Consolidated Statement of Profit and Loss, in which case the increase is credited to the Consolidated Statement of Profit and Loss. A decrease in net book value arising on revaluation is recognized as a charge in the Statement of Consolidated Profit and Loss, except to the extent it offsets an existing surplus on the same asset recognized in the revaluation reserve, in which case the decrease is recognized directly in that reserve.

Depreciation for the year is recognized in the Consolidated Statement of Profit and Loss. However for revalued assets, the additional depreciation relating to revaluation is adjusted by transfer from revaluation reserve to Consolidated Statement of Profit and Loss.

Depreciation on tangible fixed assets, except leasehold improvements (included in furniture and fixtures), is provided on pro rata basis, using the straight-line method and at the rates reflective of estimate useful lives of tangible fixed assets, not lower than the minimum rates subscribed by respective local laws. Leasehold improvements (included in furniture and fixture) are depreciated over their estimated useful life, or the remaining period of lease from the date of capitalization, whichever is shorter. While in the opinion of the management, rates used for parent company are currently reflective of the estimated useful lives of the fixed assets, however in the context of the proposed implementation of Companies Bill, 2012 (not yet effective since awaiting legislative approval) which indicates useful lives different from currently being used for certain categories of tangible fixed assets, and also considering the technological changes, a comprehensive exercise for review of useful lives of the Parent company has been taken up. Consequential adjustment, if any, will be recognized on prospective basis upon completion of the exercise.

Depreciation on additions is provided on a pro-rata basis from the date of acquisition/ installation. Depreciation on sale/ deduction from tangible fixed assets is provided for upto the date of sale/ adjustment, as the case may be. Modification or extension to an existing asset, which is of capital nature and which becomes an integral part thereof is depreciated prospectively over the remaining useful life of that asset.

A tangible fixed asset is eliminated from the consolidated financial statements on disposal or when no further benefit is expected from its use and disposal. Assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value and are shown under 'Other current assets'.

Losses arising from retirement or gains or losses arising from disposal of tangible fixed assets which are carried at cost are recognised in the Consolidated Statement of Profit and Loss.

Notes to the consolidated financial statements for the year ended 31 December 2012
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The management's estimate of the useful lives for various categories of tangible fixed assets are given below:-

Tangible Asset description	Years
Leasehold Land*	1-99
Building*	10-61
Plant and equipment*	3-33
Furniture and fixtures*	3-17
Office equipment*	3-17
Vehicles*	4-10

* For leased assets, refer accounting policy on finance lease.

Assets costing individually Rs. 5,000 (in absolute amount) or less are fully depreciated in the year of purchase.

Intangible fixed assets and amortisation

Intangible fixed assets comprise goodwill (excluding goodwill on consolidation), patents, brands, trademarks, designs and licenses and computer software are stated at cost less accumulated amortization and impairment losses, if any, except in respect of goodwill. The cost of an item of intangible fixed asset (except goodwill) comprises its purchase price, including import duties and other non-refundable taxes or levies and any attributable costs of bringing the asset to its working condition for its intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Goodwill reflects the excess of cost of acquisition over the book value of net asset acquired on the date of acquisition. Advances paid towards acquisition of intangible fixed assets outstanding at each Balance Sheet date are shown under long-term loans and advances and cost of assets not ready for intended use before the year end, are shown as intangible fixed assets under development.

Subsequent expenditure related to an item of intangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Intangible assets (except goodwill) are amortised in the Consolidated Statement of Profit and Loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Accordingly, at present, these are being amortised on straight line basis.

The management estimates the useful lives for the amortizable intangible assets as follows:

Intangible Asset description	Years
Patents	3
Brands & trademarks	1-15
Technical Know-how	1-15
Licenses	1-15
Computer software	1-6

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Profit and Loss.

f. **Impairment of assets**

Fixed assets other than goodwill are reviewed at each reporting date to determine if there is any indication of impairment. Goodwill is tested for impairment at least once in year. For assets in respect of which any such indication exists and for intangible assets mandatorily tested annually for impairment, the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (Cash Generating Unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss (other than impairment loss on goodwill) is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss for goodwill is reversed only if the impairment loss was caused due to specific external events of an exceptional nature, that is not expected to reoccur and subsequent external events have occurred that reverse the effect of that event.

Impairment losses are recognised in the Consolidated Statement of Profit and Loss.

Notes to the consolidated financial statements for the year ended 31 December 2012
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g. Revenue recognition

Revenue from sale of goods in the course of ordinary activities is recognised when the property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods as well as regarding its collection. Revenue includes excise duty and is net of sales tax, value added tax and applicable discounts and allowances. Allowances for sales returns are estimated and provided for in the year of sales.

Revenue from sale of services is recognised as per the terms of contracts with customers when the related services are rendered. Income from royalty, milestone payments, technical know-how arrangements, exclusivity and patents settlement and licensing arrangements is recognised on an accrual basis in accordance with the terms of the relevant agreement. Any non-compete fee is recognised over the term of the agreement on a straight line basis.

Export incentive entitlements are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made, and where there is no uncertainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recognised as income in the period in which the investment is sold/ disposed off.

Dividend income is recognised when the right to receive the income is established. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable. Discount or premium on debt securities held is accrued over the period to maturity.

h. Investments

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments which is expected to be realised within 12 months after the reporting date is presented under 'current assets' in consonance with the current/ non-current classification scheme of revised Schedule VI.

Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments i.e., equity shares, preference shares etc.

Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Consolidated Statement of Profit and Loss. Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

i. Inventories

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade, stores and spares, and loose tools are carried at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Work in progress includes Active pharmaceutical ingredients ('API') and Drug intermediates lying at plants for captive consumption.

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Excise duty liability is included in the valuation of closing inventory of finished goods.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products. Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value. The comparison of cost and net realisable value is made on an item-by-item basis.

j. Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash balance with bank, and highly liquid investments with original maturities, at the date of purchase/ investment, of three months or less.

k. Research and development costs

Revenue expenditure on research and development is expensed off under the respective heads of account in the year in which it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably measured, the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and to use and sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Consolidated Statement of Profit and Loss as an expense as incurred.

Notes to the consolidated financial statements for the year ended 31 December 2012
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Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Fixed assets used for research and development are depreciated in accordance with the Company's policy as stated above.

Materials identified for use in research and development process are carried as inventories and charged to the Consolidated Statement of Profit and Loss on issuance of such materials for research and development activities.

l. Employee stock option based compensation

The Company follows Securities and Exchange Board of India (SEBI) guidelines for accounting of employee stock options. The cost is calculated based on the intrinsic value method i.e. the excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of such options is regarded as employee compensation and in respect of the number of options that are expected to ultimately vest, such cost is recognised on a straight line basis over the period over which the employees would become unconditionally entitled to apply for the shares. The cost recognised at any date at least equals the intrinsic value of the vested portion of the option at that date. Adjustment, if any, for difference in initial estimate for number of options that are expected to ultimately vest and related actual experience is recognised in the Consolidated Statement of Profit and Loss of that period. In respect of vested options that expire unexercised, the cost is reversed in the Consolidated Statement of Profit and Loss of that period.

m. Foreign currency transaction, derivatives and hedging

The reporting currency of the Group is the Indian Rupee. However, the local currencies of non-integral overseas subsidiaries are different from the reporting currency of the Group.

Foreign currency transaction, derivatives and hedging

Transactions in foreign currency are recorded at the exchange rate prevailing at the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Consolidated Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at year end rates. The resultant exchange differences are recognised in the Consolidated Statement of Profit and Loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Representative offices located outside India are classified as integral foreign operation as those carry on their operations as if they were an extension of Company's operation. The financial statements of an integral foreign operation are translated into Indian rupees as if the transactions of the foreign operation were those of Company itself. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at year end rates. The resultant exchange differences are recognised in the Consolidated Statement of Profit and Loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

The Company uses various forms of derivative instruments such as foreign exchange forward contracts, options, currency swaps, currency cum interest rate swaps to hedge its exposure on account of movements in foreign exchange and interest rates. These derivatives are generally entered with banks and not used for trading or speculation purposes. These derivative instruments are accounted as follows:

- For forward contracts (including instruments which are in substance forward contracts) which are entered into to hedge the foreign currency risk of the underlying existing assets on the date of entering into that forward contract, the premium or discount on such contracts is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as an income or expense for the period in the Consolidated Statement of Profit and Loss. The exchange difference on such a forward exchange contract is calculated as the difference between -
  - a) the foreign currency amount of the contract translated at the exchange rate at the Balance Sheet date, or the settlement date where the transaction is settled during the reporting period; and
  - b) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the Consolidated Statement of Profit and Loss in the reporting period in which the exchange rates change.
- Other derivatives such as forward contracts to hedge highly probable forecasted transactions, option contracts, currency swaps, currency cum interest rate swaps etc. which are outside the scope of AS 11- , "The Effects of Changes in foreign exchange rates", are fair valued at each Balance Sheet date. The resultant gain or loss (except relating to the effective portion of cash flow hedges) from these transactions are recognised in the Consolidated Statement of Profit and Loss. The gain or loss on effective portion of cash flow hedges is recorded in the Hedging Reserve (reported under the head 'Reserves and Surplus') which is transferred to the Consolidated Statement of Profit and Loss in the same period in which the hedged item affects the Consolidated Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in hedging reserve is reclassified in the Consolidated Statement of Profit and Loss. To designate a derivative instrument as an effective cash flow hedge, the management objectively evaluates and evidences with appropriate supporting documents at the inception

Notes to the consolidated financial statements for the year ended 31 December 2012

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of each contract and throughout the period of hedge relationship whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. The gain or loss on ineffective portion of cash flow hedge is recognised in the Consolidated Statement of Profit and Loss.

Integral and non-integral operations

The consolidated financial statements of the foreign integral subsidiaries and representative offices (collectively referred to as the 'foreign integral operations') are translated into Indian rupees as follows:-

- Non-monetary Balance Sheet items, other than inventories, are translated using the exchange rate at the date of transaction i.e., the date when they were acquired.
- Monetary Balance Sheet items and inventory are translated using closing rates at Balance sheet date.
- Profit and Loss items, except opening and closing inventories and depreciation, are translated at the respective quarterly average rates. Opening and closing inventories are translated at the rates prevalent at the commencement and close respectively of the accounting period. Depreciation is translated at the rates used for the translation of the values of the assets on which depreciation is calculated.
- Contingent liabilities are translated at the closing rate.

- The net exchange difference resulting from the translation of items in the financial statements of foreign integral operations is recognised as income or expense for the year.

The financial statements of the foreign non integral subsidiaries (collectively referred to as the 'foreign non integral operations') are translated into Indian Rupees as follows:-

- Share capital and opening reserves and surplus are carried at historical cost.
- All assets and liabilities, both monetary and non-monetary, (excluding share capital, opening reserves and surplus) are translated using closing rates at Balance Sheet date.
- Profit and Loss items are translated at the respective quarterly average rates or the exchange rate that approximates the actual exchange rate on date of specific transaction.
- Contingent liabilities are translated at the closing rates at Balance sheet date.
- The resulting net exchange difference is credited or debited to the foreign currency translation reserve.

Goodwill on consolidation is considered as denominated in the currency of the Parent Company.

The items of Consolidated Cash Flow Statement are translated at the respective average rates (quarterly for profit and loss related items and annual for Balance Sheet related items) or the exchange rate that approximates the actual exchange rate on date of specific transaction. The effect of changes in exchange rates on cash and cash equivalents held in a foreign currency is reported separately as part of the reconciliation of the changes in cash and cash equivalents during the period.

A reclassification from foreign integral operations to foreign non-integral operations or vice versa is made consequent to change in the way operations of entities are financed and operates. The translated amounts for non-monetary items of reclassified entities on the date of such reclassification are treated as the historical cost for those items in the period of change and subsequent periods. Exchange differences which have been deferred in foreign currency translation reserve are not recognised as income or expenses until the disposal of that entity.

n. Employee benefits

Short-term employee benefits

All employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards superannuation fund scheme and employee state insurance scheme ('ESI') which are defined contribution plans. The Group's contribution is recognised as an expense in the Consolidated Statement of Profit and Loss during the period in which the employee renders the related service.

Defined benefit plans

Defined benefit plans of the group comprise gratuity, provident fund, and other retirement plans.

Gratuity

Indian entities of the Group have an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of

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employment. Vesting occurs upon completion of five years of service. These entities makes annual contributions to gratuity fund established as a trust. In respect of gratuity, these entities fully contributes all ascertained liabilities in the respective employee trusts. Trustees administer contributions made to the Trusts and contributions are invested in specific instruments, as permitted by the law.

Provident fund

In respect of employees, the Company makes specified monthly contribution towards the employees' provident fund to the provident fund trust administered by the Parent Company. The minimum interest payable by the provident fund trust to the beneficiaries every year is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on receptive investments of the trust and the notified interest rate.

Pension

The Company has an obligation towards pension, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs after completion of a specified number of years of service with the Company.

Retirement pension payment plan

Ranbaxy Pharmacie Generiques SAS and one of its subsidiary company in France has a retirement pension payments plan as per collective agreement. The payment is made at the time of retirement.

Actuarial valuation

The contributions made to provident fund trust are charged to the Consolidated Statement of Profit and Loss as and when these become payable. In addition, the Company recognizes liability for shortfall in the plan assets vis-à-vis the fund obligation, if any, is recognised. The Guidance on implementing AS 15, Employee Benefits (revised 2005) issued by Accounting Standard Board states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans. During the previous year, the guidance note has been issued by the Actuarial Society of India. Pursuant to the same liability in respect of provident fund schemes (as a defined benefit plan) has been determined on the basis of actuarial valuation.

The liability in respect of all defined benefit plans is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary primarily using the Projected Unit Credit Method, which recognizes each year of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Consolidated Statement of Profit and Loss. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Past service cost

Past service cost is recognised as an expense in the Consolidated Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately in the Consolidated Statement of Profit and Loss. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Other long term employee benefits

Compensated absences

In respect of certain entities of the Group, as per that entity's policy, eligible leaves can be accumulated by the employees and carried forward to future periods to either be utilised during the service, or encashed. Encashment can be made during service, on early retirement, on withdrawal of scheme, at resignation and upon death of the employee. The value of benefits is determined based on the seniority and the employee's salary.

Long service award

As per the Parent Company's policy, employees of the Parent Company are eligible for an award after completion of a specified number of years of service with the Parent Company.

Actuarial valuation

The entities records an obligation for such compensated absences and long service award in the period in which the employee renders the services that increase the entitlements. The obligation is measured on the basis of actuarial valuation using the projected unit credit method.

Termination benefits

Termination benefits are recognised as an expense when, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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o. Income taxes

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income tax expense is recognised in the Consolidated Statement of Profit and Loss except that tax expense related to items recognised directly in reserves is also recognised in those reserves.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods of each entity in the Group. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised. Deferred tax consequences of timing differences that originate in the tax holiday period and reverse after the tax holiday period are recognised in the period in which the timing differences originate. Timing differences that originate and reverse with in the tax holiday period are not considered for deferred tax purposes.

The break-up of the major components of the deferred tax assets and liabilities as at Balance Sheet date has been arrived at after setting off deferred tax assets and liabilities where the entity has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

For Indian entities, Minimum Alternate Tax (‘MAT’) under the provisions of the Income-tax Act, 1961 is recognised as current tax in the Consolidated Statement of Profit and Loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the respective entities will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

p. Provisions

A provision is recognised if, as a result of a past event, the group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. The provisions are measured on an undiscounted basis.

Sales return

The Group as a trade practice accepts returns from market which are primarily in the nature of expired or near expiry products. Provisions for such returns are estimated on the basis of historical experience, market conditions and specific contractual terms and are provided for.

Onerous contracts

A contract is considered as onerous when the expected economic benefits to be derived by the group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

Contingencies

Provisions in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

q. Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the consolidated financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

r. Leases

Operating leases

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Consolidated Statement of Profit and Loss on a straight line basis over the lease term.

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Assets given by the Group under operating lease are included in fixed assets. Lease income from operating leases is recognised in the Consolidated Statement of Profit and Loss on a straight line basis over the lease term. Costs, including depreciation, incurred in earning the lease income are recognised as expense.

Finance Leases

Assets taken on finance lease are capitalised at an amount equal to the fair value of the leased assets or the present value of minimum lease payments at the inception of the lease, whichever is lower. Such leased assets are depreciated over the lease tenure or the useful life (as stated in accounting policy for 'Tangible fixed assets and depreciation'), whichever is shorter. The lease payment is apportioned between the finance charges and reduction of outstanding liability. The finance charge is allocated to the periods over the lease tenure to produce a constant periodic rate of interest on the remaining liability.

s. Earnings per share

Basic earnings/ (loss) per share are calculated by dividing the net profit/ (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue and share split. For the purpose of calculating diluted earnings/ (loss) per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

	As at 31 December 2012	As at 31 December 2011
3. Share capital		
Authorised		
598,000,000 (previous year 598,000,000) equity shares of Rs. 5 each	**2,990.00**	2,990.00
100,000 (previous year 100,000) cumulative preference shares of Rs. 100 each	**10.00**	10.00
	3,000.00	3,000.00
Issued, subscribed and paid-up		
422,913,803 (previous year 421,999,724) equity shares of Rs. 5 each fully paid	**2,114.57**	2,110.00
	2,114.57	2,110.00

a. Rights, preferences and restrictions attached to shares

As per the Memorandum of Association, the Company's authorised share capital consists of equity shares and preference shares. Preference shares shall be entitled for such rate of dividend as may be decided by the Directors of the Company at the time of issue of such shares and shall rank in priority to the equity shares including arrears, if any, in the event of the winding up of the Company, but shall not be entitled to any further participation in the profits or surplus assets of the Company. Preference shares are entitled to one vote per share at meetings of the Company only in respect of resolutions directly affecting their rights. However, a cumulative preference shareholder acquires voting rights on par with an equity shareholder if the dividend on preference shares has remained unpaid for a period of not less than two years.

All equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on show of hand or through proxy shall be in proportion to his share of the paid-up equity capital of the Company. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

b. Reconciliation of equity shares outstanding at the commencement and at the end of the year

	As at 31 December 2012		As at 31 December 2011	
	Number of equity shares	Amount	Number of equity shares	Amount
At the commencement of the year	**421,999,724**	**2,110.00**	421,040,693	2,105.20
Add: Shares issued on exercise of employee stock options by the Company	**474,079**	**2.37**	634,031	3.17
Add: Shares issued to the Trust under ESOP-2011 (Refer to para (f) below)	**440,000**	**2.20**	325,000	1.63
At the end of the year	**422,913,803**	**2,114.57**	421,999,724	2,110.00

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c. Equity shares held by holding/ ultimate holding Company

	As at 31 December 2012		As at 31 December 2011	
	Number of equity shares	Amount	Number of equity shares	Amount
Daiichi Sankyo Company Limited, Japan (Daiichi Sankyo), the holding company, also being the ultimate holding company	**268,711,323**	**1,343.56**	268,711,323	1,343.56

d. Particulars of shareholders holding more than 5% shares of issued, subscribed and paid-up capital of equity shares

	As at 31 December 2012		As at 31 December 2011	
	Number of equity shares	% Holding	Number of equity shares	% Holding
Daiichi Sankyo	**268,711,323**	**63.54**	268,711,323	63.68
Life Insurance Corporation of India, India	**26,726,570**	**6.32**	29,988,313	7.11

e. Equity shares reserved for issue under employee stock options:

Refer to note 35 for number of stock options against which equity shares to be issued by the Company upon vesting and exercise of those stock options by the option holders as per the relevant scheme.

f. During the year ended 31 December 2012, the Company has issued 440,000 (previous year 325,000) equity shares of Rs. 5 (previous year Rs. 5) each issued for cash at par to Ranbaxy ESOP Trust (Trust), set up to administer Employees Stock Option Plan (ESOP - 2011). Out of the total equity shares issued to the Trust, 238,762 equity shares (previous year Nil equity share) have been allocated by the Trust to the respective employees upon exercise of stock options from time to time under ESOP -2011. As at 31 December 2012, 526,238 equity shares (previous year 325,000 equity shares) are pending to be allocated to the employees upon exercise of stock options (For ESOP-2011 details, refer to note 35).

g. During the five years period ended 31 December 2012 and 31 December 2011, neither any bonus shares or shares issued for consideration other than cash that have been issued nor any shares that have been bought back.

h. Issued, subscribed and paid-up share capital include 8,963,108 (previous year 7,460,842) Global Depository Shares (GDSs) representing 8,963,108 (previous year 7,460,842) equity shares of Rs. 5 (previous year Rs. 5) each constituting 2.12% (previous year 1.77%) of the issued, subscribed and paid-up share capital of the Company.

	As at 31 December 2012	As at 31 December 2011
4. Reserves and surplus		
(a) Capital reserve		
At the commencement of the year	**1,831.06**	1,828.36
Add: Created upon acquisition of minority interest	**11.29**	2.70
At the end of the year	**1,842.35**	1,831.06
(b) Amalgamation reserve		
At the commencement and at the end of the year	**43.75**	43.75
(c) Revaluation reserve		
At the commencement of the year	**65.98**	68.65
Less: Utilised during the year	**(16.82)**	(2.67)
At the end of the year	**49.16**	65.98
(d) Securities premium account		
At the commencement of the year	**34,732.51**	34,818.69
Add: Received during the year	**150.32**	204.10
Add: Transferred from employees stock option outstanding account on exercise of employee stock options	**132.01**	7.06
	35,014.84	35,029.85
Less: Premium payable on redemption of FCCBs	**–**	297.34
At the end of the year	**35,014.84**	34,732.51
(e) Hedging reserve (net of tax)*		
At the commencement of the year	**(1,353.80)**	134.41
Reversal/ (addition) during the year #	**1,214.06**	(1,488.21)

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		As at 31 December 2012	As at 31 December 2011
	At the end of the year	**(139.74)**	(1,353.80)
	* Refer to note 36		
	# Net of loss/ (gain) taken to the Consolidated Statement of Profit and Loss	**1,210.45**	(142.67)
(f)	Employees stock options outstanding account		
	At the commencement of the year	**445.43**	45.95
	Add: Options granted during the year	**374.07**	430.48
	Less: Options forfeited during the year	**51.30**	19.79
	Less: Options lapsed during the year	**12.43**	4.15
	Less: Options exercised during the year	**132.01**	7.06
	At the end of the year (i)	**623.76**	445.43
	Deferred employee stock option expense		
	At the commencement of the year	**328.22**	–
	Add: Options granted during the year	**374.07**	430.48
	Less: Amortisation and other movements during the year ##	**286.20**	102.26
	At the end of the year (ii)	**416.09**	328.22
	(i)-(ii)	**207.67**	117.21
	## Employee stock option expense, net off impact of options forfeited and lapsed during the year (Refer to note 28)	**222.47**	78.32
(g)	Foreign currency translation reserve		
	At the commencement of the year	**2,806.04**	(393.02)
	Add: Addition during the year	**1,331.47**	3,199.06
	At the end of the year	**4,137.51**	2,806.04
(h)	General reserve		
	At the commencement and at the end of the year	**5,519.28**	5,519.28
(i)	(Deficit)/ surplus (Consolidated Profit and Loss balance)@		
	At the commencement of the year	**(17,184.87)**	11,809.92
	Profit/(loss) after tax for the year	**9,227.64**	(28,997.29)
	Less: Appropriations		
	Equity dividend - Rs. Nil (previous year Rs. 2 per share)**	**–**	0.65
	Reversal of tax on equity dividend**	**–**	(3.15)
	At the end of the year	**(7,957.23)**	(17,184.87)
	Total reserves and surplus	**38,717.59**	26,577.16

@Includes legal reserve amounting to Rs. 8.82 (previous year Rs.8.71) created in Ranbaxy Unichem Company Limited and Rs.30.51 (previous year Rs. Nil) created in Terapia S.A Romania as per the requirements of local regulations. This reserve is not available for distribution.

** Represent impact on dividend for the year ended 31 December 2010 on account of shares allotted between 1 January 2011 till the record date (prior to Annual General Meeting) and change in applicable corporate dividend tax rate.

5.	**Share application money pending allotment**	**11.10**	6.66
		11.10	6.66

Share application money pending allotment represents amounts received from employees exercising the vested stock options as per the terms and conditions of respective employee stock option scheme as mentioned in note 35. Equity shares are to be issued with rights, preferences and restrictions as given in note 3a.

Other information is as follows:

a.	Number of shares to be issued	**34,810**	20,182
b.	Amount of premium	**10.92**	6.56
c.	The period before which shares are to be allotted	In the next meeting of ESOP's allotment committee (held on 11 January 2013)	In the next meeting of ESOP's allotment committee (held on 13 January 2012)

d. The Company has sufficient authorised share capital to cover the share capital amount on allotment of shares out of share application money.

e. The Company has no share application money pending beyond the period for allotment and hence no interest is accrued.

Notes to the consolidated financial statements for the year ended 31 December 2012

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	Non–current portion		Current portion	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
6. Long-term borrowings				
Debentures				
Secured				
5,000 (previous year Nil) redeemable non-convertible debentures of the face vaule of Rs. 1,000,000 each ## ^	**5,000.00**	–	**–**	–
Term loans				
Unsecured				
From banks				
External commercial borrowings (ECBs) @ ^	**12,046.10**	9,496.61	**456.66**	4,495.69
Others $ ^	**2,500.00**	–	**–**	–
From other party # ^	**22.00**	27.50	**5.50**	5.50
Finance lease liability **	**144.73**	225.43	**88.98**	78.96
	19,712.83	9,749.54	**551.14** *	4,580.15 *

* Amount disclosed under the head "Other current liabilities" (Refer to note 11)

On 23 November 2012, the Company had issued redeemable non-convertible debentures for a period of 36 months at a coupon rate of 9.20% p.a. Such debentures are secured by a pari-passu first charge on the Company's fixed assets so as to provide a fixed asset cover 1.25x and are listed on the National Stock Exchange.

@ ECBs include loan taken for YEN Nil equivalent to Rs. Nil (previous year for YEN 5.9 billion equivalent to Rs. 4,052.12) which carries interest at applicable LIBOR plus margin (38 basis points for YEN 3 billion and 55 basis points for YEN 2.9 billion). Loan of YEN 2.9 billion was taken on 30 March 2007 and has been repaid on 29 March 2012. Further, loan of YEN 3 billion was taken on 1 August 2007 and has been repaid on 31 July 2012.

Further, ECBs also include 7 loans for USD 228.34 equivalent to Rs. 12,502.76 (previous year 6 loans for USD 186.67 equivalent to Rs. 9,940.18). For the loans outstanding at the Balance Sheet date, terms of repayment, rate of interest for USD borrowings are as follows :

(i) USD 50 million equivalent to Rs. 2,737.75 (previous year USD Nil equivalent Rs. Nil), which carries interest at applicable LIBOR plus margin (100 basis points). The loan was taken on 20 September 2012 and is repayable on 19 September 2017.

(ii) USD 30 million equivalent to Rs. 1,642.65 (previous year USD 30 million equivalent Rs. 1,597.50), which carries interest at applicable LIBOR plus margin (200 basis points). The loan was taken on 30 June 2011 and is repayable on 29 June 2017.

(iii) USD 30 million equivalent to Rs. 1,642.65 (previous year USD 30 million equivalent to Rs. 1,597.50), which carries interest at applicable BBA 6 months LIBOR plus margin (100 basis points). The said loan was taken on 9 September 2010 and is repayable on 8 September 2015.

(iv) USD 50 million equivalent to Rs. 2,737.75 (previous year USD 50 million equivalent to Rs. 2,662.50), which carries interest at applicable USD/ Japanese YEN LIBOR plus margin (150 basis points). It was taken on 12 August 2010 and is repayable on 11 August 2015.

(v) USD 40 million equivalent to Rs. 2,190.20 (previous year USD 40 million equivalent to Rs. 2,130), which carries interest at applicable 6 months LIBOR plus margin (175 basis points). The loan was taken on 25 March 2011 and is repayable fully by 24 March 2017 in 3 installments viz; 30 % of the drawn amount at the end of 4th year and 5th year each and 40% of the drawn amount at the end of the 6th year.

(vi) USD 20 million equivalent to Rs. 1,095.10 (previous year USD 20 million equivalent Rs. 1,065), which carries interest at applicable LIBOR plus margin (195 basis points). It was taken on 10 June 2011 and is repayable on 9 June 2014.

(vii) USD 8.34 million equivalent to Rs. 456.66 (previous year USD 16.67 million equivalent to Rs. 887.68), which carries interest at applicable LIBOR plus margin (53 basis points). It was taken on 30 April 2007 and is repayable in 3 equal annual installments commencing 29 April 2011.

$ The Company has taken a loan of Rs. 2,500 (previous year Rs. Nil) which carries interest at applicable bank base rate plus margin (60 basis point). The loan was taken on 3 October 2012 and is repayable on 2 October 2015.

\# Represents term loan taken for research and development from Department of Science and Technology taken on 31 May 2007 which carries interest of 3% per annum and is repayable in 10 annual installments of Rs. 5.50 each along with interest.

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** Secured against assets taken on finance lease by Ranbaxy Pharmaceuticals Inc, United States of America which mainly comprises building and plant and equipment. The future minimum lease rentals and the present value of future minimum lease payments are as under:

	Future minimum lease payments		Present value of future minimum lease payments	
	As at 31 December 2012	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
i) not later than one year	**104.72**	100.73	**88.98**	78.96
ii) later than one year but not later than five years	**153.96**	248.97	**144.73**	225.43
	258.68	349.70	**233.71**	304.39

^ The Group has not defaulted on repayment of loan and interest during the year.

	As at 31 December 2012	**As at 31 December 2011**
7. Other long-term liabilities		
Security deposits received	**65.93**	123.88
Payable towards unrealised loss on derivative instruments/ forward contracts	**10,297.62**	15,853.50
Payable to employees	**74.99**	70.87
Other payables	**72.30**	56.15
	10,510.84	16,104.40

	Long–term		Short–term	
	As at 31 December 2012	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
8. Provisions				
Provision for employee benefits				
Gratuity ###	**13.26**	9.86	**47.03**	4.22
Compensated absences ###	**393.12**	303.46	**200.45**	199.15
Pension	**2,351.67**	2,007.66	**174.46**	118.52
Others	**135.61**	124.85	**18.82**	16.22
Other provisions				
Income-tax ***	**15.36**	17.48	**969.21**	371.60
Provision for sales return @@	**–**	–	**1,032.74**	970.71
Settlement provision $$	**–**	–	**27,377.50**	26,625.00
	2,909.02	2,463.31	**29,820.21**	28,305.42

Refer to note 37.

Additional disclosures relating to certain provisions (as per AS 29 - Provisions, Contingent Liabilities and Contingent Assets)

	Premium payable on redemption of FCCBs		Settlement provision		Sales return	
	As at 31 December 2012	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
At the commencement of the year	**–**	5,648.12	**26,625.00**	–	**970.71**	823.46
Add: Provision made during the year	**–**	297.34	**–**	26,480.00	**1,008.34**	879.02
Less: Provision utilised during the year	**–**	5,945.46	**–**	–	**974.42**	860.94
Add: Exchange loss on re-statement	**–**	–	**752.50**	145.00	**28.11**	129.17
At the end of the year	**–**	11,890.92	**27,377.50**	26,625.00	**1,032.74**	970.71

*** Net of advance tax of respective tax jurisdictions to the extent permissible.

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@@ A provision is estimated for expected sales return in sales of products made during the year on the basis of past experience and contractual obligation with the customer. It is expected that the entire sale return will happen over the next twelve months.

$$ The Company is negotiating towards a settlement with the Department of Justice ("DOJ") of the USA for resolution of potential civil and criminal allegations by DOJ. Accordingly, the Company had recorded a provision of Rs 26,480 (USD 500 Million) in the year ended 31 December 2011, which on a consideration of the progress in the matter so far, the Company believes will be sufficient to resolve all potential civil and criminal liability. The Company and its subsidiaries are in the process of negotiations which will conclusively pave the way for a Comprehensive DOJ Settlement. The settlement of this liability is expected to be made by the Company in compliance with the terms of settlement, once concluded and subject to other regulatory/statutory provisions.

Any gain/ loss on account of changes in exchange rate and interest expense is presented in the relevant items in the Consolidated Statement of Profit and Loss and interest accrued but not due is presented in 'Other payables' under 'Other liabilities' in note 11.

	As at 31 December 2012	As at 31 December 2011
9. Short-term borrowings		
Other loans and advances		
Secured		
From banks * $ ^	**4,887.29**	3,069.02
Unsecured		
From banks $ ^	**20,861.78**	18,708.58
Commercial paper # ^	**3,000.00**	8,800.00
	28,749.07	30,577.60

* The Company has created a first charge, on a pari-passu basis, by hypothecation of inventories, trade receivables, outstanding money receivables, claims and bills and other receivables (included under loans and advances and other assets), both present and future. Further, loan taken by Ranbaxy Pharmacie Generiques SAS is secured against its trade receivables. Previous year includes loan taken by Ranbaxy (UK) Ltd. which was secured against inventories and trade receivables.

$ The Company has taken packing credit and working capital facility from banks which are repayable within 1 day to 180 days.

^ The Group has not defaulted in repayment of loan and interest during the year.

# Related unamortised discount is included under "prepaid expenses" in "Short-term loans and advances" in note 16.	50.82	333.16

	As at 31 December 2012	**As at 31 December 2011**
10. Trade payables		
Trade payables	**16,213.71**	14,230.88
	16,213.71	14,230.88

Notes to the consolidated financial statements for the year ended 31 December 2012
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	As at 31 December 2012	As at 31 December 2011
11. Other current liabilities		
Current maturities of long-term borrowings (Refer to note 6)		
From banks - ECBs	**456.66**	4,495.69
From other party	**5.50**	5.50
Finance lease liability	**88.98**	78.96
Income received in advance	**5.18**	226.79
Book overdraft	**245.82**	497.56
Payable towards purchase of fixed assets	**365.67**	322.49
Interest accrued but not due on borrowings	**30.21**	83.59
Unclaimed dividend **	**39.90**	51.97
Payable towards unrealised loss on derivative instruments/ forward contracts	**5,392.36**	6,356.47
Advance from customers	**579.54**	364.79
Payable to employees	**1,905.61**	2,129.44
Statutory liabilities	**1,951.86**	2,182.19
Other payables @	**3,704.20**	9,394.37
	14,871.49	26,189.81

** Not due for deposit to Investor Education and Protection Fund.

@ Include amount payable towards a portion of profit payable to another party in relation to sales of a product.

Notes to the consolidated financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

12. Tangible fixed assets

	Owned						Leased					
	Freehold land #	Buildings ##	Plant and equipments	Furniture and fixtures $	Office equipments	Vehicles	Land	Equipments	Building	Plant and equipments	Vehicles	Total
Gross block												
Balance as at 1 January 2011	821.85 ^	8,671.49 ^	26,227.28 ^	1,295.22 ^	673.36 ^	808.63 ^	273.49	10.39	557.13	7.18	1.37	39,347.39
Additions	–	1,076.78	4,162.31	174.67	74.78	157.38	10.46	–	–	2.32	–	5,658.70
Disposals	24.42	27.77	2,297.00	26.30	29.73	90.80	–	0.08	0.14	–	1.29	2,497.53
Translation	55.31	620.80	918.60	88.07	28.77	47.76	1.46	1.94	106.41	1.64	0.06	1,870.82
Re-classification to assets held for sale ** / %	195.83	80.83	398.74	37.24	2.76	0.48	–	–	–	–	–	715.88
Balance as at 31 December 2011	**656.91**	**10,260.47**	**28,612.45**	**1,494.42**	**744.42**	**922.49**	**285.41**	**12.25**	**663.40**	**11.14**	**0.14**	**43,663.50**
Balance as at 1 January 2012	656.91	10,260.47	28,612.45	1,494.42	744.42	922.49	285.41	12.25	663.40	11.14	0.14	43,663.50
Additions	–	864.46	2,754.68	240.17	72.04	178.66	56.37	–	–	2.09	–	4,168.47
Disposals	–	1.19	702.95	8.18	22.19	157.11	–	–	–	4.78	–	896.40
Translation	4.51	126.48	179.63	13.61	7.70	5.23	2.91	0.04	17.82	0.55	–	358.48
Other adjustments *	(3.14)	(18.66)	(145.16)	4.05	(94.81)	3.88	–	(12.29)	–	11.63	(0.14)	(254.64)
Balance as at 31 December 2012	**658.28**	**11,231.56**	**30,698.65**	**1,744.07**	**707.16**	**953.15**	**344.69**	**–**	**681.22**	**20.63**	**–**	**47,039.41**
Depreciation and impairment												
Balance as at 1 January 2011	–	1,412.10^	11,961.44^	577.03^	311.84^	404.86^	9.88	4.36	328.31	1.03	0.91	15,011.76
Depreciation for the year	–	291.63$$	1,950.04	129.22	45.78	79.76	16.94	2.17	54.22	1.64	0.16	2,571.56
Impairment loss during the year @	–	192.39	671.97	2.46	2.88	–	–	–	–	–	–	869.70
Accumulated depreciation on disposals	–	24.70	2,085.65	26.30	19.19	51.73	–	0.08	0.14	–	0.97	2,208.76
Translation	–	111.91	547.66	54.24	19.52	36.62	0.25	1.12	70.33	0.42	0.04	842.11
Re-classification to assets held for sale ** / %	–	43.63	384.16	36.96	2.76	0.48	–	–	–	–	–	467.99
Balance as at 31 December 2011	**–**	**1,939.70**	**12,661.30**	**699.69**	**358.07**	**469.03**	**27.07**	**7.57**	**452.72**	**3.09**	**0.14**	**16,618.38**
Balance as at 1 January 2012	–	1,939.70	12,661.30	699.69	358.07	469.03	27.07	7.57	452.72	3.09	0.14	16,618.38
Depreciation for the year	–	297.28$$	1,998.62	146.73	42.32	89.61	9.62	–	61.85	4.51	–	2,650.54
Impairment loss during the year @	–	–	–	–	–	–	–	–	–	–	–	–
Accumulated depreciation on disposals	–	0.36	657.60	6.93	11.98	120.27	–	–	–	3.33	–	800.47
Translation	–	23.31	120.95	12.01	5.67	2.59	0.26	0.02	13.43	0.36	–	178.60
Other adjustments *	–	(11.00)	(90.33)	2.73	(82.20)	3.40	3.45	(7.59)	–	7.17	(0.14)	(174.51)
Balance as at 31 December 2012	**–**	**2,248.93**	**14,032.94**	**854.23**	**311.88**	**444.36**	**40.40**	**–**	**528.00**	**11.80**	**–**	**18,472.54**
Net block												
As at 31 December 2011	**656.91**	**8,320.77**	**15,951.15**	**794.73**	**386.35**	**453.46**	**258.34**	**4.68**	**210.68**	**8.05**	**–**	**27,045.12**
As at 31 December 2012	**658.28**	**8,982.63**	**16,665.71**	**889.84**	**395.28**	**508.79**	**304.29**	**–**	**153.22**	**8.83**	**–**	**28,566.87**
**** Includes translation**												
Gross block	23.72	9.79	10.11	0.49	0.08	0.06	–	–	–	–	–	
Accumulated depreciation	–	5.20	10.11	0.49	0.08	0.06	–	–	–	–	–	

* Includes adjustments made in relation to classification of assets in accordance with disclosure requirements of Revised Schedule VI.
% Refer to note 22
^ Opening balance as at 1 January 2011 is net off adjustment on account of assets held for sale.
# Freehold land includes land valued at Rs. 25.48 (previous year Rs. 25.48) pending registration in the name of the Company.
Refer to note 24 for rental income earned on operating lease arrangement.
$ Include leasehold improvements.
$$ Includes Rs. 2.83 (previous year Rs. 2.67) which has been adjusted against revaluation reserve
@ The impairment loss recognised for each class of asset is given hereunder:

Description	As at 31 December 2012				As at 31 December 2011			
	Gross block	Accumulated depreciation/ impairment	Impairment recognised during the year	Net block	Gross block	Accumulated depreciation/ impairment	Impairment recognised during the year	Net Block
Building	–	–	–	–	331.11	41.32	192.48	97.31
Plant and equipments	–	–	–	–	1,074.18	348.46	677.45	48.27
Furniture and fixtures	–	–	–	–	11.39	5.70	5.35	0.34

The impairment loss has been determined on the basis of net selling price (determine on the basis of expected salvage value) in respect of CGU's representing specific process plants and other individual assets. The impairment loss has been recognized owing to the prevalent market conditions of the product which was manufactured/ to be manufactured from the specific process plants and conditions of the other individual assets.

Notes to the consolidated financial statements for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

13. Intangible fixed assets

	Patents #	Computer software #	Technical knowhow #	Brands and trademarks #	Goodwill *	Licences #	Total
Gross block							
Balance as at 1 January 2011	73.10	1,245.70	767.28	1,687.47	21,323.21	2,289.89	27,386.65
Additions	–	207.84	–	2.06	–	94.29	304.19
Disposals	–	11.52	–	9.04	–	7.67	28.23
Translation	13.95	13.79	146.56	144.61	224.69	364.85	908.45
Balance as at 31 December 2011	**87.05**	**1,455.81**	**913.84**	**1,825.10**	**21,547.90**	**2,741.36**	**28,571.06**
Balance as at 1 January 2012	87.05	1,455.81	913.84	1,825.10	21,547.90	2,741.36	28,571.06
Additions	–	142.18	–	–	14.57	514.12	670.87
Disposals	–	266.72	–	–	–	354.32	621.04
Translation	2.45	7.12	23.11	29.97	53.74	131.78	248.17
Other adjustments **	–	236.49	2.71	0.73	–	(1.03)	238.90
Balance as at 31 December 2012	**89.50**	**1,574.88**	**939.66**	**1,855.80**	**21,616.21**	**3,031.91**	**29,107.96**
Amortisation							
Balance as at 1 January 2011	73.10	711.92	183.29	1,140.22	2,314.09	1,856.59	6,279.21
Amortisation for the year	–	167.42	53.39	123.34	–	157.42	501.57
Accumulated amortisation on disposals	–	9.69	–	–	–	4.55	14.24
Translation	13.95	11.69	42.55	107.90	69.36	301.49	546.94
Balance as at 31 December 2011	**87.05**	**881.34**	**279.23**	**1,371.46**	**2,383.45**	**2,310.95**	**7,313.48**
Balance as at 1 January 2012	87.05	881.34	279.23	1,371.46	2,383.45	2,310.95	7,313.48
Amortisation for the year	–	202.49	61.78	110.21	–	180.28	554.76
Accumulated amortisation on disposals	–	265.06	–	–	–	337.56	602.62
Translation	2.45	4.64	7.92	24.44	14.01	105.57	159.03
Other adjustments **	–	167.90	0.83	0.14	–	3.75	172.62
Balance as at 31 December 2012	**89.50**	**991.31**	**349.76**	**1,506.25**	**2,397.46**	**2,262.99**	**7,597.27**
Net block							
As at 31 December 2011	**–**	**574.47**	**634.61**	**453.64**	**19,164.45**	**430.41**	**21,257.58**
As at 31 December 2012	**–**	**583.57**	**589.90**	**349.55**	**19,218.75**	**768.92**	**21,510.69**

* Includes goodwill on consolidation.

** Includes adjustments made in relation to classification of assets in accordance with disclosure requirements of Revised Schedule VI.

Remaining useful lives of intangible assets as at 31 December 2012 are as under:

Asset description	Remaining useful lives
Patents	NIL
Computer software	1 - 6 years
Technical knowhow	9 years
Brands and trademarks	1 - 9 years
Licences	1 - 10 years

Notes to the consolidated financial statements for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

	Class of shares	Face value per share	Number of shares As at 31 December 2012	Number of shares As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
14. Non-current investments						
(Valued at cost less any other-than-temporary diminution in value, if any)						
Investments in shares of companies (fully paid-up, unless stated otherwise)						
Trade:						
Quoted						
Zenotech Laboratories Limited, an associate	Equity shares	Rs. 10	**16,127,293**	16,127,293	**1,997.89**	2,183.71
Less: Provision for other-than-temporary diminution in value of non-current investment					**(1,229.58)**	(1,229.58)
					768.31	954.13
Others:						
Unquoted						
Shivalik Solid Waste Management Limited	Equity shares	Rs. 10	**20,000**	20,000	**0.20**	0.20
Biotech Consortium India Limited	Equity shares	Rs. 10	**50,000**	50,000	**0.50**	0.50
Less: Provision for other-than-temporary diminution in value of non-current investment					**(0.50)**	(0.50)
Nimbua Greenfield (Punjab) Limited	Equity shares	Rs. 10	**140,625**	140,625	**1.41**	1.41
Shimal Research Laboratories Limited, an associate (upto 30 June 2011)	Equity shares	Rs. 10	**9,340,000**	9,340,000	**986.62**	986.62
Less: Provision for other-than-temporary diminution in value of non-current investment					**(986.62)**	(986.62)
					1.61	1.61
					769.92	955.74
Aggregate book value of quoted non-current investments (net of provision for other-than-temporary diminution)					**768.31**	954.13
Aggregate market value of quoted non current investments					**483.82**	609.61
Aggregate book value of unquoted non-current investments (net of provision for other-than-temporary diminution)					**1.61**	1.61
Aggregate provision for other-than-temporary diminution in value of non-current investments					**2,216.20**	2,216.70

Notes to the consolidated financial statements for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
15. Deferred taxes		
Deferred tax asset arising on account of:		
Provision for doubtful trade receivables, loans and advances and other current assets	**624.68**	648.38
Provision for employee benefits	**159.02**	133.19
Revaluation of ECBs	**163.04**	193.96
Provision for diminution in the value of non-current investments	**844.33**	621.40
Tax losses carried forward (only to the extent test of virtual certainity is met)	**1,535.14**	1,640.44
Others	**538.19**	534.93
	3,864.40	3,772.30
Less: Deferred tax liability arising on account of:		
Depreciation, amortisation and impairment	**3,207.69**	3,124.56
Others	**300.08**	272.64
	3,507.77	3,397.20
Deferred tax assets (net)	**356.63**	375.10
Aggregate of net deferred tax assets jurisdictions	**488.67**	451.67
Aggregate of net deferred tax liabilities jurisdictions	**(132.04)**	(76.57)
Deferred tax assets (net)	**356.63**	375.10

In respect of entities with accumulated tax losses as at year end, no deferred tax asset (net) is recognized as at 31 December 2011 in excess of amount arrived at on test of virtual certainty. Deferred tax assets not carried forward include Rs. 1,929 (previous year Rs. 1,929) relating to premium on redemption of FCCBs recorded through securities premium account which has been claimed as allowable deduction in the previous year on payment basis.Accordingly, utilization/ recognition thereof in future period will be recorded by crediting securities premium account. Further, deferred tax assets not carried forward include Rs. 45.34 (previous year Rs. 439.24) relating to loss on effective portion of forward exchange contract adjusted in hedging reserve.

	Long–term		Short–term	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
16. Loans and advances				
(Considered good, unless stated otherwise)				
To parties other than related parties				
Unsecured				
Capital advances for purchase of fixed assets				
Considered good	**479.65**	408.94	**–**	–
Considered doubtful	**73.40**	–	**–**	–
Less: Provision for doubtful capital advances	**(73.40)**	–	**–**	–
Security deposits	**291.15**	290.47	**34.85**	27.40
Loan to employees	**57.72**	66.68	**66.04**	42.09
Balances with and advances recoverable from statutory authorities	**23.18**	20.09	**2,566.16**	2,422.49
MAT credit entitlement	**8,364.96**	8,366.65	**–**	–
Advance income-tax including tax deducted at source*	**801.22**	122.13	**292.59**	169.08
Prepaid expenses	**116.95**	125.19	**787.80**	910.54
Advances to employees	**–**	–	**125.18**	93.21
Advances and deposits with suppliers	**–**	–	**611.28**	982.00

Notes to the consolidated financial statements for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

	Long–term		Short–term	
	As at 31 December 2012	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
Other advances				
Considered good	**495.61**	494.04	**60.16**	55.71
Considered doubtful	**–**	–	**169.56**	167.92
Less: Provision for doubtful advances	**–**	–	**(169.56)**	(167.92)
Secured				
Loans to employees	**72.75**	50.19	**10.12**	8.57
To related parties (unsecured)				
Loan to a fellow subsidiary	**109.51**	107.94	**–**	–
Advance to associate	**–**	–	**41.14**	–
	10,812.70	10,052.32	**4,595.32**	4,711.09

*net of provision for tax of respective tax jurisdictions to the extent permissible.

	As at 31 December 2012	**As at 31 December 2011**
17. Other non-current assets		
(Unsecured and considered good)		
Deposit accounts (due to mature after twelve months of the reporting date) (Refer to note 21) #	**83.07**	44.55
Receivable towards unrealised gain on derivative instruments/ forward contracts	**214.82**	–
Others	**3.73**	10.72
	301.62	55.27
# Represent deposit receipts pledged with Government authorities.	**83.07**	40.10

18. Current investments

(Carried at lower of cost and fair value)

	Class of shares	Face value per share	Number of shares		As at 31 December 2012	As at 31 December 2011
			As at 31 December 2012	**As at 31 December 2011**		
Quoted (fully paid-up)						
Krebs Biochemicals & Industries Limited	Equity shares	Rs. 10	**1,050,000**	1,050,000	**20.48**	26.46
					20.48	26.46
Aggregate book value of quoted current investments					**20.48**	26.46
Aggregate market value of quoted current investments					**20.48**	26.46
Aggregate write down to valuation to current investments at fair value					**68.78**	62.79
Quoted investment (both current and non-current)						
Aggregate book value (net of provision for diminution)					**788.78**	980.59
Aggregate market value					**504.30**	636.07
Aggregate book value (net of provision for other-than-temporary diminution) of unquoted investment (both current and non-current)					**1.61**	1.61

Notes to the consolidated financial statements for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
19. Inventories		
Raw materials**	**7,166.76**	5,831.42
Work-in-progress	**7,530.53**	8,021.97
Finished goods	**7,521.99**	7,432.14
Stock-in-trade**	**3,901.85**	3,791.98
Stores and spares**	**281.17**	221.20
Packing materials**	**911.24**	808.43
	27,313.54	26,107.14
** Include goods in transit:		
- Raw materials	**523.01**	507.59
- Stock-in-trade	**38.75**	66.35
- Stores and spares	**2.54**	1.27
- Packing materials	**11.04**	22.22
20. Trade receivables *(Unsecured and considered good, unless stated otherwise)*		
Considered good	**20,367.84**	30,053.08
Considered doubtful	**1,382.87**	1,263.67
	21,750.71	31,316.75
Less: Provision for doubtful trade receivables	**(1,382.87)**	(1,263.67)
	20,367.84	30,053.08
	20,367.84	30,053.08
21. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	**11.26**	7.39
Cheques on hand	**0.48**	21.20
Remittances in transit	**65.41**	92.78
Balances with banks:		
On current accounts	**5,782.93**	7,761.06
On deposit accounts (with original maturity of three or less than three months) #	**12,446.98**	10,947.13
	18,307.06	18,829.56
Other bank balances #	**27,697.39**	11,807.12
	46,004.45	30,636.68
# Include amounts held which are not freely remissible on account of statutory regulations:		
- On deposit accounts (with original maturity of three or less than three months)	**–**	1,644.93
- Other bank balances	**2,866.34**	3,815.62
	2,866.34	5,460.55
Details of bank balances/ deposits		
Bank balances available on demand/ deposit with original maturity of three months or less included under ' Cash and cash equivalents'	**18,229.91**	18,708.19
Bank deposits due to mature within twelve months of the reporting date included under 'Other bank balances'	**27,657.49**	11,755.15
Unclaimed dividend accounts included under 'Other bank balances'	**39.90**	51.97
Bank deposits due to mature after twelve months of the reporting date included under Other non-current assets' (Refer to note 17)	**83.07**	44.55
	46,010.37	30,559.86

Notes to the consolidated financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

	As at 31 December 2012	As at 31 December 2011
22. Other current assets		
(Unsecured and considered good)		
Tangible fixed assets held for sale (Refer to note 12)	**271.01**	283.84
Export incentives accrued	**931.15**	1,151.88
Receivable towards unrealised gain on derivative instruments/ forward contracts	**51.95**	1,291.13
Interest accrued but not due on deposit accounts	**457.54**	228.09
Others	**110.05**	624.03
	1,821.70	3,578.97

	Year ended 31 December 2012	Year ended 31 December 2011
23. Revenue from operations		
Sale of products*	**121,942.33**	99,864.07
Less: Excise duty	**279.14**	190.48
Net	**121,663.19**	99,673.59
Sale of services	**865.75**	26.43
Other operating revenues		
Royalty, milestone, technical know-how and product development ^	**383.53**	483.42
Export incentives	**837.95**	999.36
Non-compete fee	**210.00**	420.00
Net gain on account of foreign exchange fluctuations (others)	**–**	994.65
Others	**636.85**	692.45
	2,068.33	3,589.88
	124,597.27	103,289.90
* Sale of products for the year ended 31 December 2012 and 31 December 2011 include significant sales relating to First-To-File (FTF) products in the USA.		
^ Includes prior period income	**55.42**	–
24. Other income		
Interest **	**2,549.80**	1,127.18
Profit on sale of fixed assets, net	**35.96**	153.14
Rental income from property leases #	**126.98**	126.30
Net gain on account of foreign exchange fluctuations on loans	**175.65**	–
Net gain on account of foreign exchange fluctuations on deposit accounts	**–**	1,115.22
Other non-operating income	**18.97**	37.34
	2,907.36	2,559.18
** Interest income on:		
Current investments	**–**	94.21
Others	**2,549.80**	1,032.97
	2,549.80	**1,127.18**

The Company has given a part of its premises under cancellable operating lease arrangement to a related party. Lease rentals amounting to Rs. 126.98 (previous year Rs. 126.30) has been recognised in the Consolidated Statement of Profit and Loss. As only a portion of these premises has been let out, the gross carrying amount and the accumulated depreciation of leased premises/ assets is not separately identifiable.

Notes to the consolidated financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

		Year ended 31 December 2012	Year ended 31 December 2011
25.	**Cost of materials consumed**		
	Inventory of materials at the commencement of the year		
	Raw materials	**5,831.42**	5,912.90
	Packing materials	**808.43**	764.99
		6,639.85	6,677.89
	Purchases		
	Raw materials	**18,080.67**	19,338.31
	Packing materials	**3,888.30**	3,649.08
		21,968.97	22,987.39
	Inventory of materials at the end of the year		
	Raw materials	**7,166.76**	5,831.42
	Packing materials	**911.24**	808.43
		8,078.00	6,639.85
	Foreign currency translation impact on movement in raw materials and packing materials	**78.51**	(30.87)
	Raw materials consumed	**16,745.33**	19,419.79
	Packing materials consumed	**3,785.49**	3,605.64
		20,609.33	22,994.56
26.	**Purchases of stock-in-trade**	**18,863.07**	13,220.11
		18,863.07	13,220.11
27.	**Change in inventories of finished goods, work-in-progress and stock-in-trade**		
	Opening stock		
	Work-in-progress	**8,021.97**	6,018.17
	Finished goods	**7,432.14**	6,217.29
	Stock-in-trade	**3,791.98**	2,852.65
		19,246.09	15,088.11
	Less:		
	Closing stock		
	Work-in-progress	**7,530.53**	8,021.97
	Finished goods	**7,521.99**	7,432.14
	Stock-in-trade	**3,901.85**	3,791.98
		18,954.37	19,246.09
	Net decrease/(increase)	**291.72**	(4,157.98)
	Foreign currency translation impact on movement in finished goods, work-in-progress and stock-in-trade	**837.05**	1,278.83
		1,128.77	(2,879.15)
28.	**Employee benefits expense**		
	Salaries, wages and bonus* (Refer to note 37)	**16,406.32**	14,197.68
	Contribution to provident, gratuity and other funds (Refer to note 37)	**1,444.25**	1,240.07
	Employee stock option expense (Refer to note 35)	**222.47**	78.32
	Workmen and staff welfare expenses	**1,211.11**	934.76
		19,284.15	16,450.83
	* Includes prior period expense	**–**	117.20
29.	**Finance costs**		
	Interest expense	**1,366.74**	656.78
	Other borrowing costs	**429.52**	137.95
	Net loss on foreign currency transactions and translations to the extent regarded as borrowing costs	**1,239.74**	2,269.51
		3,036.00	3,064.24

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	Year ended 31 December 2012	Year ended 31 December 2011
30. Other expenses		
Stores and spare parts consumed	**1,604.34**	1,407.27
Power and fuel	**2,799.25**	2,346.80
Repairs and maintenance		
- Buildings	**131.57**	81.74
- Plant and machinery	**488.24**	447.49
- Others	**750.65**	604.61
Processing charges	**1,673.05**	1,346.90
Advertising and sales promotion	**7,698.14**	5,978.50
Freight, clearing and forwarding	**2,783.66**	2,385.84
Business support and market research	**60.59**	63.95
Brokerage and commission	**1,093.82**	1,081.21
Conferences and meetings	**374.53**	333.92
Legal and professional fees	**4,164.52**	3,173.74
Claims and contractual expense @	**11,795.04**	7,146.81
Clinical trials	**331.40**	269.33
Regulatory filing fees	**830.23**	740.43
Analytical charges	**352.47**	424.69
Insurance	**734.10**	574.90
Rates and taxes	**594.39**	463.17
Travelling and conveyance	**1,889.44**	1,722.69
Rent #	**924.85**	922.92
Communication	**511.93**	479.07
Recruitment and training	**260.72**	283.77
Running and maintenance of vehicles	**471.58**	432.82
Remuneration to non-executive directors	**50.00**	–
Printing and stationery	**177.63**	175.52
Net loss on account of foreign exchange fluctuations on loans	**–**	3,071.72
Net loss on account of foreign exchange fluctuations on deposit accounts	**1.19**	–
Net loss on account of foreign exchange fluctuations (others)	**1,326.14**	–
Provisions/ write off of doubtful trade receivable,loans and advances and other assets	**280.03**	151.48
Cash discounts	**75.62**	135.02
Fixed assets written off	**45.58**	110.06
Clawback charges	**481.43**	442.20
Provision for diminution in the value of current investment	**5.99**	13.23
Excise duty related to increase/ (decrease) in inventory of finished goods	**126.26**	(12.53)
Miscellaneous	**1,771.93**	1,779.02
	46,660.31	38,578.29

@ During the current and previous year, the Group has accrued an expense as claims and contractual expense towards a portion of profit payable to another party in relation to sales of a product.

\# The Group has taken certain facilities under cancellable and non-cancellable operating lease arrangements with lease term ranging from 11 months to 10 years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The future minimum lease payments in respect of non-cancellable operating leases as at 31 December 2012 and 31 December 2011 are:

	As at 31 December 2012	As at 31 December 2011
a] not later than one year	**419.73**	363.25
b] later than one year but not later than five years	**803.48**	740.48
c] later than five years	**105.86**	37.90
	1,329.07	1,141.63

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		Year ended 31 December 2012	Year ended 31 December 2011
31. Income tax expense			
Current tax		**2,939.83**	2,183.10
MAT credit entitlement		**–**	(55.52)
Deferred tax charge		**26.46**	9.72
Tax for earlier years, net		**(27.25)**	(167.96)
		2,939.04	1,969.34
32. The share of the Group in loss of associate is as under:			
Name of entity			
Zenotech Laboratories Limited		**185.82**	65.90
		185.82	65.90
33. The share of minority shareholders in profit for the year of respective entities is as under:			
Name of entity			
Ranbaxy Malaysia Sdn. Bhd		**33.92**	27.44
Ranbaxy Nigeria Limited		**4.41**	13.95
Terapia S.A.		**51.68**	52.24
Ranbaxy Unichem Co. Ltd.		**1.11**	0.35
Ranbaxy Life Sciences Research Limited (Upto 29 February 2012)		**–**	3.25
Sonke Pharmaceuticals (Pty) Ltd.		**5.32**	–
		96.44	97.23
34. Earnings/ (loss) per equity share (EPS)			
Net profit/ (loss) attributable for equity shareholders			
Net profit/(loss) attributable for equity shareholders	**(A)**	**9,227.64**	(28,997.29)
Number of weighted average equity shares			
Basic	**(B)**	**421,960,943**	421,432,388
Add: Effect of dilutive equity shares on account of employees stock options outstanding *		**1,637,824**	–
Diluted	**(C)**	**423,598,767**	421,432,388
Nominal value of equity share (Rs. - not in millions)		**5.00**	5.00
Earnings/ (Loss) per equity share (Rs. - not in millions)			
Basic	**(A) / (B)**	**21.87**	(68.81)
Diluted	**(A) / (C)**	**21.78**	(68.81)
* Following are the potential equity shares considered to be anti-dilutive in nature, hence these have not been adjusted to arrive at the dilutive earnings per share.			
- Employees stock options outstanding account		**–**	6,755,211

35. Employee share-based payment plans

The Company's Employee Stock Option Schemes ("ESOSs") provide for the grant of stock options to eligible employees and Directors of the Company and its subsidiaries. The ESOSs are administered by the Compensation Committee ("Committee") of the Board of Directors of the Company. Options are granted at the discretion of the committee to selected employees depending upon certain criterion. As at 31 December 2012, there were four ESOSs, namely, "ESOS I", "ESOS II", "ESOS 2005" and "ESOP 2011".

The ESOSs limits the maximum grant of options to an employee at 25,000 for ESOS I, 40,000 for ESOS II and 300,000 for ESOS 2005 in any given year. ESOS I and II provide that the grant price of options is to be determined at the average of the daily closing price of the Company's equity shares on the NSE during a period of 26 weeks preceding the date of the grant. ESOS 2005 provides that the grant price of options will be the latest available closing price on the stock exchange on which the shares of the Company are listed, prior to the date of the meeting of the Committee in which the options are granted. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered. The options vests evenly over a period of five years from the date of grant. Options lapse, if they are not exercised prior to the expiry date, which is ten years from the date of grant.

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During the previous year, the Company had introduced a new ESOS scheme namely Ranbaxy Employees Stock Option Plan 2011 "ESOP 2011" with effect from 1 July 2011. This scheme limits the maximum grant of options to an employee or a director at 30,000 in any given year. ESOP 2011 provides that the grant price will be the face value of the equity share. The options vests evenly over a period of three years from the date of grant. Options lapse, if they are not exercised prior to the expiry date, which is three months from the date of the vesting. The Company has formed Ranbaxy ESOP Trust ('Trust') to administer ESOP-2011 scheme. The Company will issue shares to the Trust which will allocate the shares to the respective employees upon exercise of stock options from time to time under ESOP-2011.

The Shareholders' Committee have approved issuance of options under the ESOS as per details given below:

Date of approval	No. of options approved
29 June 2002	2,500,000
25 June 2003	4,000,000
30 June 2005	4,000,000
09 May 2011	3,000,000

In accordance with the above approval of issuance of options, stock options have been granted from time to time.

The stock options outstanding as on 30 June 2005 are proportionately adjusted in view of the sub-division of equity shares of the Company from the face value of Rs.10 each into 2 equity shares of Rs. 5 each.

Options granted upto 3 October 2002 are entitled for additional bonus shares in the ratio of 3:5.

The movement of the options (post split and without adjustment for bonus shares) granted under ESOS I, ESOS II and ESOS 2005 for the year ended 31 December 2012 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, commencement of the year	6,253,100	216.00-561.00	422.78	5.01
Forfeited during the year	(92,134)	216.00-450.00	374.54	
Exercised during the year**	(457,642)	216.00-538.50	333.66	
Lapsed during the year	(393,923)	216.00-538.50	445.64	
Outstanding, end of the year*	5,309,401	216.00-561.00	429.61	4.02
Exercisable at the end of the year*	4,176,400	216.00-561.00	445.96	3.34

*Includes options exercised, pending allotment.

** excluding 16,437 shares issued towards bonus entitlement.

The movement of the options (post split) granted under ESOP - 2011 for the year ended 31 December 2012 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, commencement of the year	765,718	5.00	5.00	1.74
Granted during the year	807,968	5.00	5.00	
Forfeited during the year	(102,780)	5.00	5.00	
Exercised during the year #	(238,762)	5.00	5.00	
Lapsed during the year	(13,970)	5.00	5.00	
Outstanding, end of the year*	1,218,174	5.00	5.00	1.28
Exercisable at the end of the year*	20,329	5.00	5.00	0.56

* Includes options exercised, pending allotment.

Shares allocated by the Trust against these exercises (Refer to note 3f)

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The movement of the options (post split and without adjustment for bonus shares) granted under ESOS I, ESOS II and ESOS 2005 for the year ended 31 December 2011 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, commencement of the year	7,401,143	216.00-561.00	415.42	5.99
Forfeited during the year	(249,482)	216.00-450.00	372.68	
Exercised during the year**	(600,949)	216.00-538.50	344.91	
Lapsed during the year	(297,612)	216.00-538.50	438.96	
Outstanding, end of the year*	6,253,100	216.00-561.00	422.78	5.01
Exercisable at the end of the year*	4,222,511	216.00-561.00	447.99	3.95

* Includes options exercised, pending allotment.

** excluding 33,082 shares issued towards bonus entitlement.

The movement of the options (post split) granted under ESOP 2011 for the year ended 31 December 2011 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, commencement of the year	–	–	–	–
Granted during the year	802,612	5.00	5.00	
Forfeited during the year	(36,894)	5.00	5.00	
Exercised during the year #	–	–	–	
Lapsed during the year	–	–	–	
Outstanding, end of the year*	765,718	5.00	5.00	1.74
Exercisable at the end of the year*	4,933	5.00	5.00	0.74

* Includes options exercised, pending allotment.

Shares allocated by the Trust against these exercises (Refer to note 3f)

36. Hedging and derivatives

a) The Group uses various forms of derivative instruments such as foreign exchange forward contracts (including instruments which are in substance forward contracts), options, currency swaps, currency cum interest rate swaps and interest rate swaps to hedge its exposure to movements in foreign exchange and interest rates. These derivatives are not used for trading or speculation purposes.

b) The Group classifies some of its derivative contracts that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. As at 31 December 2012, these highly probable forecasted transactions are expected to occur over a period of January 2013 to July 2013 year (previous year from January 2012 to July 2013 years) which also approximates/ coincides with maturity of hedging instruments. The effective portion of such cash flow hedges is recorded as part of reserves and surplus within "hedging reserve"and re-classified in the Consolidated Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the highly probable forecasted transactions. The ineffectiveness arising from cash flow hedges which is recognised in Consolidated Statement of Profit and Loss is not material.

The following are the outstanding derivative contracts entered into by the Group:

As at 31 December 2012

Category	Currency	Cross Currency	Amount (in millions)	Buy/ Sell	Purpose
Forward contracts for loans (PCFC) $ ^	**USD**	**INR**	**USD 137.30**	**Buy**	**Hedging**
Forward contracts for loans (ECBs) $	**USD**	**INR**	**USD 8.34**	**Buy**	**Hedging**
Currency swaps (ECBs) $	**USD**	**INR**	**USD 120.00**	**Buy**	**Hedging**
Forward contracts > # *	**USD**	**INR**	**USD 20.00**	**Sell**	**Hedging**
Forward contracts > #	**EUR**	**USD**	**EUR 4.00**	**Sell**	**Hedging**
Currency options > # **	**USD**	**INR**	**USD 430.00**	**Sell**	**Hedging**
Currency cum interest rate swaps (ECBs) > #	**USD**	**INR**	**USD 100.00**	**Buy**	**Hedging**

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As at 31 December 2011

Category	Currency	Cross Currency	Amount (in millions)	Buy/ Sell	Purpose
Forward contracts for loans (PCFC) $ ^	USD	INR	USD 54.00	Buy	Hedging
Currency swaps (ECBs) > #	JPY	USD	JPY 5,900.00	Buy	Hedging
Interest rate swap (JPY LIBOR) > #	JPY		JPY 2,900.00		Hedging
Forward contracts > # *	USD	INR	USD 195.00	Sell	Hedging
Forward contracts > #	EUR	USD	EUR 1.00	Sell	Hedging
Currency options > # **	USD	INR	USD 654.50	Sell	Hedging

$ accounted for in accordance with "Accounting standard (AS) 11, The Effects of Changes in foreign exchange rates".

> accounted for in accordance with "AS 30", Financial instruments-recognition and measurement", to the extent not covered under AS 11.

Cumulative mark to market loss (net), on above instruments Rs. 15,463.51 (previous year Rs. 21,057.64) which has been determined based on valuation provided by banks i.e counter party.

* designated as cash flow hedge instruments.

** structured options @ 2.00 to 2.5 times.

^ PCFC represents packing credit loans taken in foreign currency.

37. Employee benefits expense

The Group primarily provides the following retirement benefits to its employees:

(a) Pension

(b) Retirement pension payment plan

(c) Provident fund

(d) Gratuity

The following tables sets out the disclosures relating to pension, retirement pension payment plan, provident fund and gratuity benefits as required by Accounting Standard - 15 "Employee Benefits" (Revised):

	Pension (Unfunded)	Retirement pension payment plan (Unfunded)	Provident fund (Funded)	Gratuity (Funded
Change in the present value of obligations:				
Present value of obligation as at 1 January 2012	**2,068.66**	**47.71**	**3,196.40**	**850.17**
	1,992.95	*38.63*	*2,975.90*	*740.03*
Add: Current service cost	**102.24**	**2.33**	**172.41**	**70.51**
	94.05	*1.03*	*156.74*	*58.63*
Add: Interest cost	**167.82**	**0.84**	**271.33**	**65.46**
	152.09	*1.98*	*233.85*	*53.96*
Less: Benefits paid/settlement	**81.97**	**–**	**509.82**	**58.74**
	76.33	–	*470.03*	*48.09*
Add: Employees' contribution	**–**	**–**	**335.39**	**–**
	–	–	*295.83*	–
Add: Transfer in	**–**	**–**	**182.54**	**–**
	–	–	*69.01*	–
Less: Past service credit/ (cost)*	**71.33**	**–**	**(1.18)**	**3.97**
	–	–	–	–
Add: Actuarial (gain)/ loss on obligations	**278.14**	**(0.98)**	**(50.25)**	**157.28**
	(94.10)	*0.02*	*(64.90)*	*45.64*
Translation adjustments - (gain)/ loss	**–**	**2.58**	**–**	**–**
	–	*6.05*	–	–
Present value of obligation as at 31 December 2012	**2,463.56**	**52.48**	**3,599.18**	**1,080.71**
	2,068.66	*47.71*	*3,196.40*	*850.17*

* Past service credit is due to revision in the retirement age from 58 years to 60 years except for few employees who have opted for retirement age of 58 years.

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	Provident fund (Funded)	Gratuity (Funded)
Change in the fair value of plan assets:		
Fair value of plan assets as at 1 January 2012	**3,228.86**	**853.39**
	2,931.95	*671.91*
Add: Expected return on plan assets	**274.10**	**77.07**
	247.87	*66.57*
Add: Group's contributions	**166.03**	**157.32**
	142.57	*163.66*
Add: Employees' contributions	**335.39**	**–**
	295.83	*–*
Add: Transfer in fund	**182.54**	**–**
	69.01	*–*
Less: Benefits paid/ settlement	**509.82**	**57.52**
	470.03	*47.78*
Add: Actuarial gain/ (loss) on plan assets	**2.51**	**4.29**
	11.66	*(0.97)*
Fair value of plan assets as at 31 December 2012	**3,679.61**	**1,034.55**
	3,228.86	*853.39*
Return on plan assets:		
Expected return on plan assets	**274.10**	**77.07**
	247.87	*66.57*
Add: Actuarial gain/ (loss) on plan assets	**2.51**	**4.29**
	11.66	*(0.97)*
Actual return on plan assets	**276.61**	**81.36**
	259.53	*65.60*

Figures in italics are for the year ended 31 December 2011

Reconciliation of present value of defined benefit obligation and the fair value of plan assets:

	Provident fund (Funded)	Gratuity (Funded)
Present value of funded obligation as at 31 December 2012	**3,599.18**	**1,080.71**
	3,196.41	*850.17*
Less: Fair value of plan assets as at as at 31 December 2012	**3,679.61**	**1,034.56**
	3,228.86	*853.39*
Funded status as at 31 December 2012 - (asset)/ liability	**(80.43)**	**46.15**
	(32.45)	*(3.22)*
Net liability/ (asset) recognised in Balance Sheet as at 31 December 2012	**–**	**46.15**
	–	*(3.22)*
Net asset unrecognised in Balance Sheet as at 31 December 2012	**(80.43)**	**–**
	(32.45)	*–*

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Gratuity and provident fund contribution expected to be paid in the next year is Rs. 167.00 (previous year Rs. 152.00) and Rs. 182.50 (previous year Rs. 163.60) respectively.

	Pension (Unfunded)	Retirement pension payment plan (Unfunded)	Provident fund (Funded)	Gratuity (Funded)
Expenses recognised in the Consolidated Statement of Profit and Loss:				
Current service cost	**102.24**	**2.33**	**172.41**	**70.51**
	94.05	*1.03*	*156.74*	*58.63*
Add: Interest cost	**167.82**	**0.84**	**271.33**	**65.46**
	152.09	*1.98*	*233.85*	*53.96*
Add: Expected return on plan assets	**–**	**–**	**(274.10)**	**(77.07)**
	–	–	*(247.87)*	*(66.57)*
Less: Past service credit *	**71.33**	**–**	**(1.18)**	**3.97**
	–	–	–	–
Add: Net actuarial (gain)/ loss recognised	**278.14**	**(0.98)**	**(52.76)**	**152.99**
	(94.10)	*0.02*	*(76.56)*	*46.60*
Expense to be recognised in the Consolidated Statement of Profit and Loss	**476.87**	**2.19**	**118.06** #	**207.93**
	152.04	*3.03*	*66.16*	*92.62*
Less: Amount capitalised on projects	**13.09**	**–**	**–**	**3.39**
	1.23	–	–	*(0.30)*
Expense recognised in the Consolidated Statement of Profit and Loss	**463.78**	**2.19**	**118.06**	**204.54**
	150.81	*3.03*	*66.16* #	*92.92*

* Past service credit is due to revision in the retirement age from 58 years to 60 years except for few employees who have opted for retirement age of 58 years.

Provident fund scheme (of the Company) - Defined benefit plan:

Further, during the year, the Company has recognised an expense of Rs. 240.85 (previous year Rs. 209.39) pertaining to employers' contribution to provident fund including portion paid to the statutory authorities, which is included in "Employees benefits expense" in note 28.

Represents employers' contribution to provident fund made by the Company to provident fund trust administered by the Company, net for reversal of unrecognised deficit of Rs. Nil (previous year Rs. 43.95) as at the beginning of the year (previous year being the first year of actuarial valuation) and unrecognised surplus of Rs. 80.43 (previous year Rs. 32.45) as at 31 December 2012 (in absence of any right to claim the surplus), both being considered in actuarial valuation.

Figures in italics are for the year ended 31 December 2011

The major categories of plan assets as a percentage of total plan assets are as under:

Particulars	Provident fund	Gratuity
Central government securities	**21%**	**2%**
	20%	*3%*
State government securities	**15%**	**1%**
	12%	*1%*
Bonds and securities of public sector / financial institutions	**63%**	**19%**
	66%	*96%*
Deposit with Reserve Bank of India	**0%**	**0%**
	2%	*0%*
Insurer managed funds	**0%**	**78%**
	0%	*1%*
Surplus fund lying uninvested	**1%**	**0%**
	0%	*0%*

Percentage in italics are for the year ended 31 December 2011

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The following table sets out the assumptions used in actuarial valuation of provident fund, pension, retirement pension payment plan and gratuity:

Particulars	Pension (Unfunded)	Retirement pension payment plan (Unfunded)	Provident fund (Funded)	Gratuity (Funded)
Actuarial assumptions				
Discount rate	**8.20%**	**3.00%**	**8.20%**	**8%-8.2%**
	8.50%	*3.85%*	*8.50%*	*8.50%*
Rate of increase in compensation levels ##	**10.0%**	**2%-3%**	**N.A.**	**8.5%-10%**
	7%-10%	*2%-3%*	*N.A.*	*7%-10%*
Interest rate guarantee	**N.A.**	**N.A.**	**8.50%**	**N.A.**
	N.A.	*N.A.*	*8.5%*	*N.A.*
Rate of return of plan assets **	**N.A.**	**N.A.**	**9.03%**	**9%**
	N.A.	*N.A.*	*8.50%*	*9%*
Expected average remaining working lives of employees (years)	**19.51**	**19.4-26.90**	**21.52-26.88**	**21.48-26.39**
	18.82	*19.4-26.90*	*19.93-23.94*	*19.81 - 24.81*

10% for all future years (previous year 10% for the first two years and 7% thereafter). The salary increase takes account of inflation, seniority, promotion and other relevant factors on long term basis.

** On the basis of average rate of earnings expected on the funds invested.

Figures/ percentages in italics are for the year ended 31 December 2011.

Demographic assumptions

	Pension, gratuity and provident fund	Retirement pension payment plan
Mortality	**Indian assured lives mortality (1994-96) modified ultimate**	**Table INSEE F 2004** - 2006
	Indian assured lives mortality (1994-96) modified ultimate	*Table INSEE F 2004 - 2006*
Disability	**5% of mortality rate**	**-**
	5% of mortality rate	*-*
Withdrawal	**15%-18%**	**0% - 30%**
	15%-18%	*0% - 30%*
Retirement age	**58- 60 years**	**62 - 65 Years**
	58 years	*62 - 65 Years*

Amount for the current year and previous four years are as follows:

Pension plan:

	For the year ended 31 December				
	2012	**2010**	**2010**	**2009**	**2008**
Present value of defined benefit obligation	(2,463.56)	(2,068.66)	(1,992.95)	(1,701.50)	(1,571.19)
Experience adjustment (gain)/ loss for plan liability	96.92	78.93	(17.89)	23.29	(27.10)

Gratuity plan:

	For the year ended 31 December				
	2012	**2011**	**2010**	**2009**	**2008**
Present value of defined benefit obligation	(1,080.71)	(850.17)	(740.03)	(530.19)	(486.74)
Fair value of plan assets	1,034.56	853.39	671.91	444.31	439.19
Surplus/(deficit)	(46.15)	3.22	(68.12)	(85.88)	(47.55)
Experience adjustment (gain)/ loss for plan liability	47.38	66.25	117.8	52.44	72.54
Experience adjustment gain/ (loss) for plan assets	4.32	(0.97)	2.97	0.02	0.40

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Provident fund ##

	For the year ended 31 December		
	2012	**2011**	**2010**
Present value of defined benefit obligation	(3,599.18)	(3,196.40)	(2,975.90)
Fair value of plan assets	3,679.61	3,228.86	2,931.95
Surplus/(deficit)	80.43	32.46	(43.95)
Experience adjustment (gain)/ loss for plan liability	(64.78)	8.16	22.97
Experience adjustment (gain)/ loss for plan assets	2.51	11.66	16.90

Information presented for three year since 31 December 2010 was the first year of actuarial valuation.

Retirement pension payment plan:

The experience adjustment for retirement pension payment plan over current and previous four years have not been given as the amounts are immaterial.

Defined contribution plans

a) The Company and its certain subsidiaries (other than USA based subsidiaries) also have defined contribution plans, which are largely governed by local statutory laws of the respective countries and cover the eligible employees of the specific entity(s). These plans are funded by the members and/ or by the entity(s) contributions, primarily based on a specified percentage of the employees' salary. The total contributions to these schemes during the year ended 31 December 2012 is Rs.915.45 (previous year Rs. 850.75).

b) Further, USA based subsidiaries participates in a savings plan under Section 401(k) of the Internal Revenue Code ("Code") covering substantially all eligible employees. The plan allows for employees to defer up to 15% of their annual earnings within limitations specified under respective law on a pre-tax basis through voluntary contributions to the plan. The plan provides that these subsidiaries can make optional contributions in an amount up to the maximum allowable by respective law. Employees achieve a 25 percent vested status after one year of service and fully vested status after three years of service. During the year ended 31 December 2012 the contributions to the plan is Rs.68.77 (previous year Rs. 63.86).

38. Related party disclosures

A] Name of related parties

Related parties with whom transactions have been taken place during the year or previous year:

i) Holding company (also being the ultimate holding company)

Daiichi Sankyo Company Limited, Japan

ii) Fellow subsidiary (overseas)

Daiichi Sankyo India Pharma Private Limited, India

Daiichi Sankyo Chemical Pharma Co., Ltd., Japan

Daiichi Sankyo Development Limited, UK

Daiichi Sankyo Propharma Co., Ltd., Japan

Ranbaxy Mexico S.A.de C.V., Mexico (from 30 July 2011)

Daiichi Sankyo, Inc., USA

Daiichi Sankyo Mexico SA de CV., Mexico

Daiichi Sankyo Italia S.p.A., Italy

Daiichi Sankyo Europe GmbH., Germany

Daiichi Sankyo (Thailand) Ltd., Thailand

iii) Associate company (domestic)

Zenotech Laboratories Limited, India

iv) Key management personnel

Mr. Arun Sawhney, Managing Director (from 20 August 2010 to 4 August 2011) and CEO and Managing Director (from 5 August 2011)

Notes to the consolidated financial statements for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

B] Transactions with the related parties

Transactions	Holding Company	Fellow subsidiaries	Associate	Key management personnel	Total
Sale of products (net)	29.93	467.95	–	–	497.88
	(139.95)	–	–	–	(139.95)
Sale of investment in subsidiary	–	–	–	–	–
	–	(241.53)	–	–	(241.53)
Non-compete fee (income recognised)	–	210.00	–	–	210.00
	–	(420.00)	–	–	(420.00)
Rental income from property leases	–	126.00	–	–	126.00
	–	(126.30)	–	–	(126.30)
Other operating revenues- others	36.55	68.24	4.92	–	109.71
	(21.67)	(95.33)	–	–	(117.00)
Purchases of stock-in-trade	129.70	825.06	14.98	–	969.74
	(93.64)	(197.27)	(18.10)	–	(309.01)
Business support and market research	5.51	1.51	–	–	7.02
	(4.54)	–	–	–	(4.54)
Clinical trials	–	9.95	–	–	9.95
	–	–	–	–	–
Travelling and conveyance	1.67	–	–	–	1.67
	(8.86)	(0.02)	–	–	(8.88)
Royalty expenses	1.75	–	–	–	1.75
	(1.28)	–	–	–	(1.28)
Employee benefits expense*	–	–	–	108.21	108.21
	–	–	–	(54.78)	(54.78)
Reimbursement of employee benefits expense paid	82.04	22.95	–	–	104.99
	(55.89)	(26.77)	–	–	(82.66)
Reimbursement of other expenses received	–	20.03	0.43	–	20.46
	–	(12.82)	(2.62)	–	(15.44)
Other expenses-Miscellaneous	2.53	7.92	–	–	10.45
	–	–	–	–	–
Loans and advances given	–	–	41.14	–	41.14
	–	–	–	–	–
Guarantees given on behalf of an associate company	–	–	120.00	–	120.00
	–	–	–	–	–

Figures in brackets for the year ended 31 December 2011.

* a) On the basis of a legal advice, the Company is of the view that the appointment and payment of remuneration to Mr. Arun Sawhney, CEO and Managing Director for the full year ended 31 December 2011 is in accordance with the conditions stipulated under the Notification no. GSR 534(E) dated 14 July 2011 read with the clarification dated 16 August 2012 issued by the Ministry of Corporate Affairs.

b) Does not includes liabilities in respect of gratuity, pension and compensated absences as the same is determined on an actuarial basis for the Company as a whole.

Notes to the consolidated financial statements for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

C] Transaction in excess of 10% of the total related party transactions

Sr. No	Transactions	Related party relationship	For the year ended 31 December 2012	For the year ended 31 December 2011
1	**Sale of products (net)**			
	Daiichi Sankyo Propharma Co., Ltd., Japan	Fellow subsidiary	**274.38**	–
	Daiichi Sankyo Chemical Pharma Co., Ltd., Japan	Fellow subsidiary	**161.21**	–
	Daiichi Sankyo Company Limited, Japan	Holding company	**29.93**	139.95
2	**Sale of investment in subsidiary**			
	Daiichi Sankyo Mexico S.A. DE C.V., Mexico	Fellow subsidiary	**–**	241.53
3	**Non compete fee (income recognised)**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**210.00**	420.00
4	**Rental income from property leases**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**126.00**	126.30
5	**Other operating revenues- others**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**47.11**	49.16
	Daiichi Sankyo Company Limited, Japan	Holding company	**36.55**	21.67
	Daiichi Sankyo Italia S.p.A., Italy	Fellow subsidiary	**15.55**	1.62
	Daiichi Sankyo Europe GmbH., Germany	Fellow subsidiary	**5.57**	40.08
6	**Purchases of stock-in-trade**			
	Daiichi Sankyo Italia S.p.A., Italy	Fellow subsidiary	**466.56**	159.99
	Daiichi Sankyo, Inc. USA	Fellow subsidiary	**316.32**	–
	Daiichi Sankyo Company Limited, Japan	Holding company	**129.70**	93.64
	Daiichi Sankyo Europe GmbH., Germany	Fellow subsidiary	**41.70**	37.28
	Zenotech Laboratories Limited, India	Associate company	**14.98**	18.10
7	**Business support and market research**			
	Daiichi Sankyo Company Limited, Japan	Holding company	**5.51**	4.54
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**1.51**	–
8	**Clinical trials**			
	Ranbaxy Mexico S.A.de C.V., Mexico	Fellow Subsidiary	**9.95**	–
9	**Travelling and conveyance**			
	Daiichi Sankyo Company Limited, Japan	Holding company	**1.67**	8.86
10	**Royalty expenses**			
	Daiichi Sankyo Company Limited, Japan	Holding company	**1.75**	1.28
11	**Employee benefits expense**			
	Mr. Arun Sawhney	Key management personnel	**108.21**	54.78
12	**Reimbursement of employee benefits expense paid**			
	Daiichi Sankyo Company Limited, Japan	Holding company	**82.04**	55.89
	Daiichi Sankyo Inc. USA	Fellow subsidiary	**16.07**	26.77
13	**Reimbursement of other expenses received**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**20.03**	12.82
	Zenotech Laboratories Limited, India	Associate company	**0.43**	2.62
14	**Other expenses-miscellaneous**			
	Daiichi Sankyo, Inc. USA	Fellow subsidiary	**7.92**	–
	Daiichi Sankyo Company Limited, Japan	Holding company	**2.53**	–
15	**Loans and advances given**			
	Zenotech Laboratories Limited, India	Associate company	**41.14**	–
16	**Guarantees given on behalf of an associate company**			
	Zenotech Laboratories Limited, India	Associate company	**120.00**	–

Notes to the consolidated financial statements for the year ended 31 December 2012

(Rupees in millions except share data, per share data and if otherwise stated)

D] Balances due from/to the related parties as at 31 December 2012

Sr. No.	Particulars	Holding company	Fellow subsidiaries	Associate company	Key management personnel	Total
1	**Trade receivables**	0.57	80.67	4.61	–	85.85
		(98.00)	(10.85)	(1.89)	–	(110.74)
2	**Trade payables**	60.47	428.90	–	–	489.37
		(43.18)	(202.94)	–	–	(246.12)
3	**Long-term loans and advances**	–	109.51	–	–	109.51
		–	(107.94)	–	–	(107.94)
4	**Other current liabilities - other payables**	–	71.11	–	–	71.11
						–
5	**Other current liabilities - payable to employees**	–	–	–	13.41	13.41
		–	–	–	–	–
6	**Other long-term liabilities- security deposit received**	–	–	–	–	–
		–	(63.00)	–	–	(63.00)
7	**Guarantees given on behalf of an associate company**	–	–	120.00	–	120.00
		–	–	–	–	–
8	**Short-term loans and advances - advance to suppliers**	–	–	41.14	–	41.14

Figures in brackets are as at 31 December 2011.

During the current year and previous year, the Company has granted stock options to Arun Sawhney, key management personnel in respect of which Rs. 4.35 (previous year Rs. 1.18) has been recognised as an expense which is included in "Employee stock option expense" in note 28 of the Statement of Consolidated Profit and Loss. The deferred employee stock option expense in respect of such stock options as at 31 December 2012 is Rs. 8.48 (previous year Rs. 5.82).

39. During the quarter ended 31 December 2012, the Company has made a voluntary recall of Atorvastatin Calcium Tablets from the USA market. The amount represents consequential cost (sales return, inventory write off and customer claims) recognized by the Company

40. With effect from 29 July 2011, the Group disposed off its entire holding in Ranbaxy Mexico S.A. de C.V. & Ranbaxy Mexico Servicios S.A. de C.V. for an agreed consideration of Rs. 241.53 and recognised gain on disposal of subsidiary amounting to Rs. 377.99 which is disclosed as an exceptional item in the previous year.

	As at 31 December	
	2012	**2011**
41. Contingent liabilities and commitments		
(to the extent not provided for)		
Contingent liabilities		
i) Corporate bank guarantee by parent company on behalf of associate, to the extent of limits	**120.00**	–
ii) Claims against the Group not acknowledged as debts, under dispute:		
(a) DPCO*	**2,290.41**	2,114.94
(b) Octroi tax matters**	**171.00**	171.00
(c) Other matters***	**264.40**	366.75

* The Company has received demands for payment to the credit of the Drug Prices Equalisation Account under Drugs (Price Control) Order, 1995 ('DPCO') which is being contested by the Company in respect of its various products. Further, the Company has deposited Rs. 325.59 (previous year Rs. 325.59) under protest.

** The Company has been contesting a case with the Municipal Corporation of Mohali (MCM) under which MCM is contesting that Octroi has to be paid by the Company at 1% as against 0.5% being paid by the Company. The amount above represents the difference payable.

*** These represent cases pending at various forums on account of employee / worker related cases, State electricity board, Punjab Land Preservation Act and tax contingencies etc.

iii) In respect of matters in (a), (b) and (c) above, the amount represents the demands received under the respective demand/ show cause notices/ legal claims, wherever applicable.

Notes to the consolidated financial statements for the year ended 31 December 2012
(Rupees in millions except share data, per share data and if otherwise stated)

iv) Based on direction received in relation to the draft assessment order of Assessment Year (AY) 2008-09, Dispute Resolution Panel (DRP) under the provisions of section 144C of the Income Tax Act, 1961, had instructed the Assessing Officer ('AO') to make additions/ disallowances on various issues including Transfer Pricing and deductions claimed under section 80 IB/IC of the Act to taxable income of the Company. The Company received the final assessment order from the AO in November 2012 whereby demand of Rs 443.39 has been raised against the Company, which has been paid by the Company under protest in full. The Company has challenged the order before the Hon'ble Income Tax Appellate Tribunal ("ITAT") and pending disposal of the matter considers the amount of tax liability as unascertainable. Further, during the month of February 2013, the Company has received order from Transfer Pricing Officer ('TPO') for AY 2009-10 vide which the TPO has directed the AO to enhance the taxable income of the Company. The Company intends to challenge the additions proposed by the TPO before the appropriate authority(s) and accordingly considers the amount of tax liability as unascertainable at this stage.

v) The Company, directly or indirectly through its subsidiaries, severally or jointly is also involved in certain patents and product liability disputes as at the year end. Due to the nature of these disputes and also in view of significant uncertainty of outcome, the Company believes that the amount of exposure cannot be currently determinable.

Commitments

i)	Estimated amount of contracts remaining to be executed on capital on account and not provided for (net of advances)	**2,210.25**	1,655.85
ii)	Non cancellable lease commitments (Refer to note 30)	**1,329.07**	1,141.63

42. Segment information

Business Segments

The Group's business activity falls within a single primary business segment viz. 'Pharmaceutical'.

Geographical segment

The Group's business is organized into key geographic segments. Revenues are attributable to individual geographic segments based upon the location of the customers. Assets and liabilities are attributable to individual geographic segments based upon the location of the respective assets / liabilities.

Other Information

The accounting policies consistently used in the preparation of the consolidated financial statements are also applied to revenues and expenditure of individual segments.

a) Primary Segment information

The Group's business activity falls within a single primary business segment viz. 'Pharmaceutical'.

b) Secondary Segment information- Geographical

	India	Europe	North America	Asia Pacific	Africa	Others	Total
Segment revenue #	**23,349.92**	**20,958.51**	**53,797.74**	**8,360.56**	**7,879.11**	**10,251.43**	**124,597.27**
	(23,111.26)	(17,490.49)	(38,348.23)	(7,092.63)	(8,850.88)	(8,396.41)	(103,289.90)
Segment assets ##	**92,023.52**	**31,466.66**	**25,019.71**	**2,938.78**	**8,738.29**	**4,465.03**	**164,651.99**
	(82,136.90)	(30,208.81)	(31,208.08)	(2,614.24)	(7,749.30)	(3,283.68)	(157,201.01)
Capital expenditure ##	**2,771.95**	**279.32**	**875.97**	**196.38**	**359.67**	**164.35**	**4,647.64**
	(3,446.97)	(282.39)	(452.42)	(77.81)	(257.32)	(52.73)	(4,569.64)

Figures in brackets are for the year ended 31 December 2011.

on the basis of location of customers

on the basis of location of assets

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No.: 089826

Place: Gurgaon
Date: 26 February 2013

For and on behalf of the Board of Directors of **Ranbaxy Laboratories Limited**

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place: Gurgaon
Date: 26 February 2013

FINANCIAL DETAILS OF THE SUBSIDIARY COMPANIES

FOR THE YEAR ENDED DECEMBER 31, 2012

		Rs. in Million									
Sr. No.	Name of Subsidiary	Capital	Reserves	Total assets	Total liabilities	Investments (except in case of investments in subsidiaries)*	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
	Domestic :										
1	Solus Pharmaceuticals Limited@@	149.01	1,559.58	1,710.16	1.57	1,290.12	–	153.75	12.20	141.56	–
2	Vidyut Investments Limited	250.08	(229.23)	21.41	0.56	–	–	1.66	0.66	1.01	–
3	Ranbaxy Drugs and Chemicals Company@@ (A public company with unlimited liability)	62.00	41.29	103.65	0.36	–	–	8.93	3.05	5.88	–
4	Ranbaxy Drugs Limited	31.00	(0.84)	1,813.90	1,783.74	–	–	(0.23)	–	(0.23)	–
5	Ranbaxy SEZ Limited@@	0.50	(0.24)	0.33	0.07	–	–	(0.11)	–	(0.11)	–
6	Rexcel Pharmaceuticals Limited@@	125.00	1,567.80	1,693.84	1.04	1,290.12	–	153.45	12.27	141.18	–
7	Gufic Pharma Limited	0.50	3.53	4.07	0.04	3.43	–	0.41	0.06	0.35	–
8	Ranbaxy Life Sciences Research Ltd.@@	50.60	252.29	303.06	0.16	–	–	27.84	9.08	18.77	–
	Overseas :										
9	Ranbaxy Malaysia Sdn. Bhd. Malaysia	143.11	1,302.33	2,185.83	740.39	–	1,608.84	148.36	30.36	117.99	14.31
10	Ranbaxy (Hong Kong) Limited Hong Kong	16.82	159.56	176.38	–	–	–	(0.39)	–	(0.39)	–
11	Basics GmbH Germany	353.26	162.70	2,020.27	1,504.31	–	1,534.06	(62.99)	(0.54)	(63.53)	–
12	Ranbaxy GmbH (w.e.f 9 November 2012) Germany	1.81	(0.08)	1.81	0.07	–	–	(0.07)	–	(0.07)	–
13	Ranbaxy (S.A.) (Proprietory) South Africa	2.34	764.00	1,790.33	1,023.99	–	1,728.43	241.49	67.62	173.87	–
14	Sonke Pharmaceuticals (Pty) Ltd South Africa	12.91	3.76	1,790.93	1,774.26	–	2,984.87	121.15	2.07	119.08	–
15	Ranbaxy Egypt (L.L.C.) Egypt	42.89	113.63	286.05	129.53	–	374.67	54.17	11.17	42.99	–
16	Rexcel Egypt (L.L.C.) Egypt	2.12	(2.86)	65.88	66.62	–	46.89	7.54	1.71	5.83	–
17	Ranbaxy (U.K.) Ltd. United Kingdom	1,924.78	(1,605.47)	879.50	560.17	–	2,029.81	79.81	27.51	52.29	–
18	Ranbaxy Poland S.P. Z.o.o. Poland	76.35	83.77	223.93	63.82	–	565.75	18.23	5.61	12.62	–
19	Ranbaxy Do Brazil Ltda Brazil	–	–	–	–	–	–	–	–	–	–
20	Ranbaxy Nigeria Ltd. Nigeria	14.06	836.18	1,095.21	244.97	–	1,165.45	79.39	28.59	50.81	4.22
21	Ranbaxy Unichem Company Ltd. Thailand	178.76	247.16	540.45	114.52	–	674.37	16.34	3.74	12.59	–

		Rs. in Million									
Sr. No.	Name of Subsidiary	Capital	Reserves	Total assets	Total liabilities	Investments (except in case of investments in subsidiaries)*	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
22	Ranbaxy Pharmaceuticals Ukraine LLC (w.e.f 13 June 2012) Ukraine	0.27	(0.21)	0.42	0.35	–	2.40	(12.30)	(2.20)	(10.09)	–
23	Ranbaxy Morocco LLC Morocco	5.18	(48.38)	211.05	254.25	–	146.63	(26.56)	(7.80)	(34.36)	–
24	Ranbaxy Farmaceutica Ltda. Brazil	464.36	(123.05)	1,126.02	784.71	–	1,016.50	(392.43)	(130.60)	(261.83)	–
25	Ranbaxy-PRP (Peru) S.A.C. Peru	92.98	(95.52)	220.45	222.99	–	304.52	(61.72)	(10.34)	(72.06)	–
26	Ranbaxy Europe Ltd. United Kingdom	0.88	109.66	256.20	145.66	–	583.33	25.62	1.02	24.60	–
27	Ranbaxy Pharmaceutical, Inc. USA	$	8,717.63	128,589.61	119,871.99	–	44,392.39	4,562.81	1,516.86	3,045.95	–
28	Ranbaxy, Inc, USA	710.38	5,356.83	20,265.57	14,198.36	–	1,075.94	(2.99)	6.35	(9.34)	–
29	Ranbaxy USA, Inc. USA	$	160.16	2,030.91	1,870.74	–	333.58	13.50	3.01	10.48	–
30	Ohm Laboratories Inc. USA	13.04	7,685.90	106,688.97	98,990.03	–	28,276.84	2,802.07	881.84	1,920.23	–
31	Ranbaxy Laboratories Inc. USA	$	(190.34)	18,693.52	18,883.87	–	1,958.85	(365.54)	125.88	(239.66)	–
32	Ranbaxy Signature LLC, USA USA	$	(684.74)	2.88	687.63	–	–	(0.02)	–	(0.02)	–
33	Ranbaxy (Netherlands) B.V. ("RNBV") The Netherlands	28,441.30	8,981.88	37,587.06	163.87	–	–	1,673.12	27.81	1,645.31	–
34	Ranbaxy Holdings (U.K.) Ltd. United Kingdom	2,704.09	122.90	2,832.31	5.32	–	–	(1.84)	–	(1.84)	–
35	Ranbaxy Ireland Ltd. Ireland	515.32	603.92	1,911.76	792.52	–	2,514.31	156.63	20.09	136.54	–
36	ZAO Ranbaxy Russia	5.41	444.61	3,984.44	3,534.43	–	4,466.68	346.33	53.43	292.90	–
37	Ranbaxy Pharmacie Generiques SAS France	539.74	(1,609.27)	2,005.89	3,075.42	–	3,391.80	(965.04)	–	(965.04)	–
38	Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda Portugal	0.36	(76.29)	13.91	89.84	–	63.34	(57.99)	1.24	(59.24)	–
39	Laboratorios Ranbaxy, S.L. Spain	362.32	(26.96)	755.96	420.60	–	824.87	43.79	–	43.79	–
40	Office Pharmaceutique Industriel Et Hospitalier SARL ("OPIH SARL ") France	96.38	(100.70)	165.76	170.13	–	424.21	(2.13)	–	(2.13)	–

		Rs. in Million									
Sr. No.	Name of Subsidiary	Capital	Reserves	Total assets	Total liabilities	Investments (except in case of investments in subsidiaries)*	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
41	Ranbaxy Australia Pty. Ltd. Australia	522.73	(1,474.12)	807.06	1,758.45	–	814.05	(452.11)	–	(452.11)	–
42	Ranbaxy Pharmaceuticals Canada Inc. Canada	123.63	857.15	2,638.06	1,657.28	–	3,661.04	(51.30)	(12.84)	(38.46)	–
43	Ranbaxy Italia S.p.A Italy	14.49	9.61	1,220.52	1,196.43	–	1,803.45	5.69	3.71	1.98	
44	Terapia S.A. Romania	407.51	8,274.73	10,393.95	1,711.71	–	7,265.01	1,715.85	223.10	1,492.75	–
45	Terapia Distributie SRL@ Romania	–	–	–	–	–	–	–	–	–	–
46	Ranbaxy Belgium N.V. Belgium	40.71	0.36	64.35	23.27	–	1.92	10.94	–	10.94	–
47	Ranbaxy Pharma AB Sweden	9.25	(0.96)	8.35	0.07	–	–	6.81	–	6.81	–
48	Be-Tabs Pharmaceuticals (Proprietary) Ltd. South Africa	$	894.05	3,016.63	2,122.58	–	1,675.50	(408.14)	–	(408.14)	–
49	Be-Tabs Investments (Proprietary) Ltd. South Africa	$	16.11	16.56	0.44	–	–	(0.13)	–	(0.13)	–

$ Rounded off to nil

***Detail of Investments**

Name of the subsidiary	Particulars	Nature of investments	Face value	Amount (Rs. Million)
Solus Pharmaceuticals Limited	Solrex Pharmaceuticals Company	A Partnership Firm	Capital Contribution	1,290.12
Gufic Pharma Limited	Solrex Pharmaceuticals Company	A Partnership Firm	Capital Contribution	3.43
Rexcel Pharmaceuticals Limited	Solrex Pharmaceuticals Company	A Partnership Firm	Capital Contribution	1,290.12

Notes:

In terms of general exemption granted by the Ministry of Corporate Affairs vide its circular no. 02/2011 dated February 8, 2011 and approval of the Board of Directors of the Company at its meeting held on February 26, 2013, the annual accounts of the subsidiary companies and the related detailed information will be made available upon request by the investors of the Company and of its subsidiary companies. These documents will also be available for inspection by any investor at the Head Office of the Company at 12th Floor, Devika Tower, 6, Nehru Place, New Delhi - 110019, and that of the subsidiary companies concerned.

@@ The Hon'ble High Court of Delhi and the Hon'ble High Court of Punjab and Haryana at Chandigarh have approved the Scheme of merger of five of the Company's wholly owned subsidiaries viz. Ranbaxy Drugs and Chemicals Company, Ranbaxy Life Sciences Research Limited, Ranbaxy SEZ Limited, Solus Pharmaceuticals Limited and Rexcel Pharmaceuticals Limited with Ranbaxy Drugs Limited ("RDL"), another wholly owned subsidiary of the Company from appointed date of 1 April 2012. The Scheme will become effective on filing of the orders with the respective Registrar of Companies.

@ Merged/ liquidated during the year
Ranbaxy Do Brazil Ltda
Terapia Distributie S.R.L. merged with Terapia S.A.

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